Austria ... Sch22	Indonesia ... Rp3100	Portugal ... Esc100
Bahrain ... Din0.650	Israel ... IS3.50	S.Arabia ... Rls7.00
Belgium ... BFr40	Italy ... L1500	Singapore ... S$4.10
Canada ... C$1.00	Japan ... Y600	Spain ... Pta125
Cyprus ... C£0.75	Jordan ... Fils500	Sri Lanka ... Rs30
Denmark ... DKr9.00	Kuwait ... Fils500	Sweden ... SKr9.00
Egypt ... E£2.25	Lebanon ... [illegible]	Switz ... SFr2.20
Finland ... Fmk7.00	Lux ... LFr48	Taiwan ... NT$65
France ... FFr6.50	Malaysia ... Rls4.25	Thailand ... Bt50
Germany ... DM2.20	Mexico ... Pes300	Tunisia ... Din0.800
Greece ... Dr160	Morocco ... Dh6.00	Turkey ... L500
Hong Kong ... HK$12	Neth ... Fl3.00	UAE ... Dh6.50
India ... Rup15	Norway ... Nkr10.00	USA ... $1.00

FINANCIAL TIMES

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Thinking man's broker bows out, Page 19

World News

Gibraltar shootings prompt riots in Belfast

Rioters went on the rampage in Belfast as anger over the killing of three Irish Republican Army (IRA) terrorists in Gibraltar swept through Republican areas. Police fired plastic bullets in West Belfast where gangs threw petrol bombs and hijacked buses. Shooting incidents were reported.

Meanwhile security forces in Gibraltar searched for a car bomb and a fourth terrorist. Peace remains elusive, Page 20

Gulf war missile barrage continues

Iran and Iraq continued to launch ground-to-ground missiles against each other's capitals. Iran said it had launched two missiles at Baghdad after three Iraqi rockets landed on Tehran.

Iran also said more air raid shelters would be built and emergency accommodation provided in the provinces for refugees from Tehran which had been hit by about 40 Iraqi missiles in a week. Soviet-Iran ties upset, Page 5

Panama ships stranded

As many as 15 ships were stranded outside the Panama Canal because Panama was demanding cash rather than cheques for dock services such as refuelling, food and water, reports in Washington said. Pensioners angry, Page 20

Anti-apartheid attacks

Anti-apartheid activists damaged petrol pumps in 37 Dutch towns in a protest against Royal Dutch/Shell's refusal to pull out of South Africa.

Colombian strike call

Colombian trade union organisations called for a one-day general strike to protest against widespread political violence.

Sri Lanka build-up

Sri Lanka sent 1,000 extra troops and 450 police reinforcements to Trincomalee where Tamil guerrillas killed 40 Sinhalese civilians last week.

Punjab protest

Indian opposition leaders walked out of parliament in protest against the Government's dissolution of the Punjab state assembly.

Aid for co-operatives

Soviet authorities published a draft law on co-operatives seeking to guarantee them equal rights with the state sector, freedom from price controls and permission to trade abroad. Page 3

Talks on US bases

Fresh talks on the future of four US military bases in Greece began in Athens amid uncertainty over the impact of the recent improvement in Greek-Turkish relations on Athens' negotiating strategy. Page 3

Afghan compromise

Pakistan was still fighting for a compromise over the issue of an interim coalition government when negotiations resumed in Geneva on the withdrawal of 115,000 Soviet troops from Afghanistan. Page 5

S. African police sacked

Seven South African police reservists were dismissed for being members of the neo-fascist Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement). Page 5

Yeutter urges EC reform

US Trade Representative Clayton Yeutter urged the European Community to cut farm subsidies as a way of tackling the problems of high food surpluses and low prices.

Horse stops flight

A horse broke out of its box on a New York-bound Spanish airliner carrying 223 passengers shortly after take-off from Madrid. The pilot turned back for safety reasons and later took off again, without the horse.

Business Summary

Rank pays $180m for US theme park group

RANK ORGANISATION, UK leisure and entertainments group, has announced the $180m acquisition of Almert Enterprises, a privately owned American leisure company based in Bushkill, Pennsylvania, which owns the franchises of the Yogi Bear Jellystone Park and Safari World resorts. Page 20

WALL STREET: The Dow Jones industrial average closed down 1.49 at 2056.37. Page 44

LONDON: The sudden upswing in the pound against both the dollar and the DM led to sales of dollar earners, such as Glaxo and Shell, as well as other exporters, including ICI, which will feel the pinch in Germany. The FT-SE ended the day 16.3 down at 1,818.2. Page 40

TOKYO: A wait-and-see mood prevailed in Tokyo, leaving the market weaker at the close. The Nikkei average ended 10.90 points lower at 25,616.58, having reached a high of 25,642.58 against a low of 25,567.63. Page 44

DOLLAR closed in London at DM1.6765 (DM1.6895); FFr5.6750 (FFr5.7175); SFr1.3840 (SFr1.3990); and Y128.10 (Y128.75). Page 33

STERLING closed in London at $1.8185 ($1.7735); DM3.0475 (DM2.9975); FFr10.32 (FFr10.1425); SFr2.5175 (SFr2.4825); and Y233.00 (Y228.50). Page 33

CARLO DE BENEDETTI, Italian industrialist who is striving to win control of Société Générale de Belgique, Belgium's most powerful company, said his much-touted "camp followers" include Philips, Dutch electrical group, and Nestlé, Swiss food multinational. Page 21

JAPAN overtook West Germany last year to become the world's largest holder of non-gold reserves, the International Monetary Fund (IMF) said. Japan's reserves totalled 57.1bn Special Drawing Rights (SDRs) at the end of 1987, up from 34.5bn a year earlier. West Germany's increased to 55.5bn SDRs from 42.3bn.

WARNER Communications, US entertainment and communications group, has emerged as the front-runner in Hollywood's jostling for control of Lorimar-Telepictures, film studio troubled by erratic financial management and unsuccessful diversification. Page 21

GENERAL ELECTRIC, US industrial products group, launched a $423m, or $45-a-share, counter-bid for Roper, kitchen and garden equipment maker which agreed recently to a takeover offer from Whirlpool, a competitor. Page 21

PLESSEY, UK defence and electronics group, is seeking to enter the Canadian defence market through a C$100m ($79m) bid for Leigh Instruments, Ottawa-based defence electronics manufacturer. Page 26

LLOYDS BANK, smallest of the big four British clearers, has set up an international private banking group based in Geneva. Page 24

GPA GROUP, international aircraft leasing company based at Shannon in the Irish Republic, has surprised creditor banks with a request to increase the amount of a financing raised last year. Page 24

BANK JULIUS BAER, Swiss bank, is lifting its dividend from 18 per cent to 19.5 per cent for 1987 following a 13 per cent improvement in net profit.

KLOECKNER-Humboldt-Deutz, troubled West German diesel engine and agricultural machinery group, which announced 5,000 redundancies at the end of last year, has revealed it will probably make a loss of DM285m ($167m) for 1987. Page 21

ABERCOM, South African engineering company, has restructured itself by selling its loss-making Davidson Fan unit and concentrating its operations in South Africa, freeing itself from guarantees and cancelling rental commitments. Page 21

Six die as Israeli police storm bus hijacked by Arabs

BY ANDREW WHITLEY IN JERUSALEM

THREE ISRAELI civilians and three Arab gunmen were killed yesterday after the gunmen seized a bus carrying workers to Israel's heavily guarded nuclear facility at Dimona in the Negev desert, southern Israel.

Dimona has been at the centre of claims that Israel has been producing nuclear warheads.

The three gunmen, demanding the release of all Palestinian prisoners in Israeli jails, died when a police anti-terrorist unit stormed the hijacked bus.

The gunmen had seized an Israeli military car early yesterday morning and were driving along the road to Beersheba, away from Dimona, when police shot a tyre of the car.

The three men then abandoned the car and seized the bus in order to have hostages as a shield against pursuing police.

This sequence of events suggests, according to one report, that the gunmen had not intended any action against the nuclear facility. A police roadblock stopped the hijacked bus eight miles short of Dimona.

The gunmen had crossed the nearby desert border with Egypt, according to Major General Yitzhak Mordechai, who supervised the operation to rescue the passengers.

The growing number of crossings and attempted incursions by terrorists across the previously trouble-free Egyptian border have been causing increasing concern among Israeli security forces.

The incident early yesterday was the first of its kind since the unrest in the occupied territories began in December.

The bus was carrying about 50 workers. Many escaped, as did the driver.

After the bus was surrounded by troops, the hijackers threatened to kill a hostage every half hour if their demands were not met.

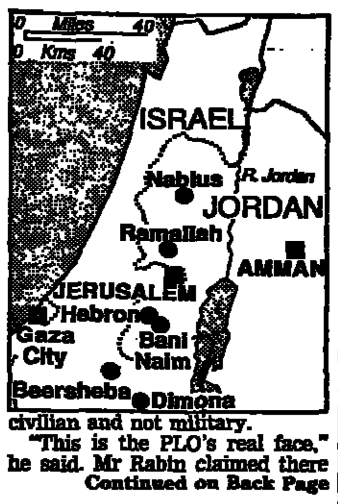
Before the deadline expired, a 39-year-old engineer was shot in the head and killed. The bus was then stormed, and the three gunmen died in the hail of bullets.

Two women passengers were also fatally wounded – it was unclear by whom.

The mainstream Fatah branch of the Palestine Liberation Organisation took responsibility for the action. Senior government officials – several of whom were on the scene during the three-hour drama – blame the PLO for attempting to sabotage the current US peace plan for the Middle East.

The hijacking showed "why the PLO is a disaster for both the Arabs and the Jews," Mr Shimon Peres, Foreign Minister, said.

Mr Yitzhak Rabin, Defence Minister, told the Knesset (Israel's parliament) it was "a classic example" of how the PLO differed from other guerrilla organisations around the world, in that its targets were usually civilian and not military.



"This is the PLO's real face," he said. Mr Rabin claimed there

Continued on Back Page

UK bows to currency markets pressure as £ continues to rise

BY SIMON HOLBERTON IN LONDON

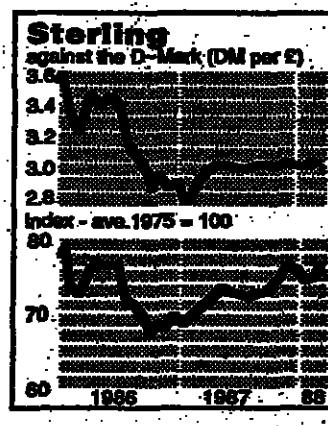
THE UK Government yesterday bowed to pressure from currency markets and allowed the pound to rise through its unofficial ceiling of DM3, which has been maintained since last spring.

The pound surged nearly 5 pfennigs after it became apparent that the Bank of England would not resist its rise. It closed at DM3.0475 and almost 4½ cents higher at $1.8185. The Bank's trade weighted sterling index closed 1.4 points up at 76.2 – equal to an effective appreciation of almost 2 per cent.

Treasury officials said the decision to let the pound rise did not represent a change in policy. The Government's objectives of fighting inflation, preserving the competitiveness of British industry, and promoting exchange rate stability were unchanged.

Currency traders and analysts, however, were left confused and perplexed. The move was seen as a major change in the operation of monetary policy and one which introduced greater instability and unpredictability into the operation of exchange markets.

They said it created doubts over the Government's resolve to maintain sterling's value within a fairly narrow range and put a question mark over the extent to which the Government would



support the currency if it fell.

The Bank of England let it be known that it did not have a D-Mark target rate for sterling but that it would continue to intervene when the market least expected it to halt an excessive appreciation of the currency.

Officials stressed, however, that the Government had not "let the pound go".

"We're keen to reassure UK industry that they won't be found with 1981 all over again," one stressed.

During 1981, when the Government allowed the pound to rise dramatically, many companies were unable to compete and were forced to close.

There was a general expectation among currency traders and analysts that the pound could rise to DM3.10 or DM3.15 over the course of the next week or so.

Analysts said they thought the authorities' new "zone" for the pound, which could be 3 per cent to 5 per cent above DM3, would be consistent with these new rates of exchange.

But if the pound continues to climb the Government may be prepared to engineer a cut in interest rates, they said.

Officials said the Government had been faced with an increasingly difficult set of problems since pressure for a rise in the pound became evident in the middle of last week.

To allow the pound to appreciate was seen as a tightening of monetary policy and therefore in line with the Government's anti-inflationary goals.

Prices for long-dated gilt-edged securities rose by a point in response and closed on a yield basis, at around 9.20 per cent.

Share prices, however, fell as market makers reduced the share prices of those companies exposed to international trade.

Treasury shifts the goal posts, Page 7; Editorial comment, Page 18; Lex, Page 20; Currencies, Page 33

Mobil sells off retail store chain in $3.8bn deal

BY JAMES BUCHAN IN NEW YORK

MOBIL, the second largest US oil company, yesterday closed the book on 15 years of unsuccessful diversification out of the energy business with the sale of the Montgomery Ward chain of stores in a $3.8bn deal.

Mobil said it had sold the Chicago chain to a group of investors led by a well-regarded management and backed by GE Capital Corporation. This is a subsidiary of the US General Electric group which specialises in financing leveraged buy-outs.

The management group will pay $1.5bn in cash for Montgomery Ward, and will also assume its debt of $2.3bn.

Mobil's stock rose yesterday as Wall Street welcomed the sale of the 315-store chain. Montgomery Ward cost Mobil hundreds of millions of dollars in losses and some of its reputation for management before a drastic overhaul three years ago revived the century-old retailer.

"We did something they said we could not do," Mr Allen Murray, Mobil's chairman, said yesterday, "and that was to bring it back to financial viability."

The deal, which is at book value, will transform the finances of Mobil. It has been the most heavily indebted of the oil majors (excluding Texaco, which is operating under Chapter 11 of the US Bankruptcy Code) since buying Superior Oil for $5.7bn in 1984.

"By the end of this, we should have more than paid down the debt taken on with Superior," Mr Murray said.

Mobil became a symbol of oil industry arrogance when it paid out $1.8bn for the venerable Montgomery Ward and an associated packaging company, Container Corp. of America, during the oil crisis in 1974. Container Corp. was sold in 1986 for $1.1bn.

Once a vigorous rival of Sears, Roebuck, the largest US retailer, the Chicago chain lagged badly after the war and was barely profitable when Mobil bought it.

Montgomery Ward's revival began in June 1985 when Mr Bernard Brennan, who is leading the management buy-out, was sent in as chief executive to prepare the business for sale.

Pirelli bids for Firestone

BY JOHN WYLES IN ROME AND PAUL BETTS IN PARIS

PIRELLI OF Italy yesterday revived its apparently thwarted attempt to gain control of Firestone's tyre business by mounting a $1.93bn takeover bid for the entire US company.

The $58 bid for each of Firestone's 33.3m shares aims at spiking the $1bn agreement in principle announced last month under which Firestone would have sold 75 per cent of its tyre business to Bridgestone of Japan.

This deal does not yet bind Firestone, which refused to comment yesterday while it studied the offer from the Italian tyre and cable group. It declined to speculate on Bridgestone's reaction.

The agreement with Bridgestone was made within days of Firestone receiving an approach

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US soaps may dry up as writers get in lather over money

By Louise Kehoe in San Francisco

FOR MILLIONS of American television viewers, a crisis is looming.

Their daily menu of sexy soap operas and titillating talk shows could be replaced this week by a dull diet of re-runs and old movies.

As television scriptwriters drew up picket lines outside the studios of Twentieth Century Fox in Hollywood yesterday morning, prospects for the next few episodes of such perennial favourites as "All My Children" and "Dynasty" were quickly fading.

A strike by 9,000 script writers, which began yesterday morning, will cause immediate impact to the production of the soaps, game shows and talk shows, according to television studios. Series and movies shown at peak hours could also be affected eventually if the studios exhaust a backlog of scripts which they are said to have been building up in anticipation of the strike.

The Writer's Guild of America argues that what is at issue are payments made to the scriptwriters for television programmes sold overseas; residual payments on syndicated reruns of one-hour episodes of television series; so-called "overscale" payments for scripts, and "creative rights" giving writers more control over the results of their work.

The scriptwriters voted to strike on Sunday after rejecting a final offer from the Alliance of Motion Picture and Television Producers which represents about 200 movie and television companies. The Alliance described its offer of $50m as generous. No new negotiations are currently scheduled.

A spokeswoman for the Guild said that the scriptwriters hoped to settle the dispute quickly, "but we are prepared to go the distance if necessary."

The producers said they were disappointed but not surprised by the strike. With both sides standing firm, the potential for a drawn out dispute currently appears high, according to television industry analysts.

For television viewers craving a daily diet of scandal there is however a new alternative. Britain's "East Enders" began showing on several public broadcasting channels around the US earlier this year. Although the series has so far caused more confusion, with its strong cockney accents, than excitement, it may soon be the only "soap" showing.

London SE chief to leave for bank chairmanship

BY BARRY RILEY IN LONDON

SIR Nicholas Goodison, chairman of the International Stock Exchange in London, is the surprise choice to be the next chairman of the Trustee Savings Bank Group, the broadly based UK banking group.

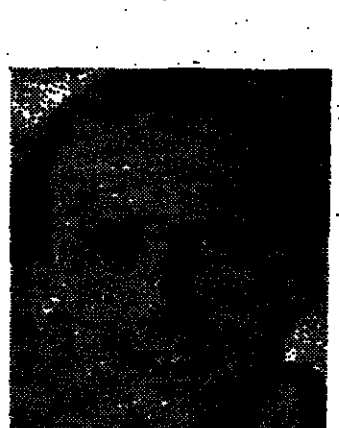
He will step down as Stock Exchange chairman at the end of the year and will take over at the TSB from Sir John Read on January 1, 1989.

Sir Nicholas will then have completed nearly 13 years as Stock Exchange chairman, covering a turbulent period which has taken in the Big Bang deregulation and the opening of the market to international firms, together with the implementation of a technological revolution.

"I never was intent on setting a record," he said yesterday. "The new structure is now built, and I am satisfied that it is sturdy and competitive. It is time for me to move to something new."

Sir Nicholas, 53, has spent his career in stockbroking, having joined the family firm, H.E.Goodison, in 1958. He will resign his directorships within the Paribas Group, which now owns Quilter Goodison, but will remain an adviser to the group in London. He will retain his non-executive directorships of General Accident and the Ottoman Bank.

His decision to step down from the Stock Exchange leaves open the question of his successor. Elections will be held in the autumn.



Goodison: turbulent times

Sir Nicholas will leave his ex officio position on the Takeover Panel and also step down from the board of the Securities Association.

To prepare for his new job he will join the TSB Board as a non-executive director on April 28.

Sir John Read, 69, was appointed chairman of the TSB Central Board in 1980 and has steered the group through an important period in which it has become a listed company and subsequently has made major acquisitions, notably last year of the merchant banking group Hill Samuel.

This takeover led to controversy when TSB decided to persist with the £777m ($1.37bn) offer and not to use the October market crash as a reason for renegotiating lower terms. Sir John Read faced a six-hour onslaught from more than 400 small shareholders at an extraordinary meeting to approve the deal in November. But the big institutions voted the deal through.

Soon afterwards Sir John confirmed that headhunters were seeking a new chairman, but emphasised that he had always intended to step down when his contract ran out in September 1988. In fact Sir John will now stay on until December 31.

David Lascelles, Banking Editor, adds: Sir Nicholas' appointment was received with surprised and a general lack of enthusiasm in the City of London.

Bankers and analysts said he did not appear to have all the qualifications necessary to head a large, broadly based banking group.

However, supporters of the appointment claimed that Sir Nicholas' experience of managing the far-reaching changes in the stock exchange in recent years would be appropriate to the TSB as it evolved into a fully-fledged, publicly quoted financial services group.

Thinking man's broker, Page 19; Lex, Page 20

CONTENTS

DEMOCRAT WHOSE SONG IS MUSIC TO MANY EARS

Non-candidate Mario Cuomo, who does not fear to criticise the contenders, Page 4

Local difficulty tarnishes French right

BY IAN DAVIDSON IN PARIS

THE political solidity of France's right-wing governing coalition has received a severe symbolic setback in the cantonal by-election at Lille, in a split between two junior coalition partners, the Republicans and the Centrists (CDS), which between them dominate the non-Gaullist UDF umbrella organisation.

Both these parties are committed to support the candidacy of Mr Raymond Barre in the forthcoming presidential election and the split in the circumstances of this by-election would not necessarily have a big impact on the outcome of that election.

But since the emphasis of political comment in France is starting to focus on the probability that the presidential election will be followed by general elections, loyalty and national discipline between the members of the UDF may play a significant role in shaping the image of Mr Barre in the presidential election and could be crucial for the chances of the UDF parties in a general election.

In the case of the Lille by-election for a seat on the departmental Conseil General, the UDF had agreed at national level that its official candidate would be Mr Jean-Jacques Descamps, junior minister for tourism and member of the Republican Party. In Lille, however, and against the vociferous protests of the leaders of the Republican Party in Paris, the Centrist party decided to challenge the official candidacy of Mr Descamps by supporting Mrs Jeannine Delfosse, widow of the member whose death caused the by-election.

In the first round on Sunday, the Centrist rebellion paid off: Mrs Delfosse came well in front with just over 37 per cent of the votes, while the Socialist candidate came second with 21 per cent, driving Mr Descamps into third place with 20 per cent.

Mr Descamps is making the best of a bad job, by withdrawing from the second round in favour of Mrs Delfosse, while Mr Pierre Mehaignerie, national leader of the CDS, has pointed out that the combined effect of the votes for the two rival UDF candidates had been to reduce the score of the Socialists and of the extreme right-wing National Front.

In the next week or two, President Mitterrand is widely expected to announce that he is standing for re-election, and most commentators assume that if re-elected (a hypothesis which gets consistent support from the polls), he would be likely to call general elections. The presidential contest is likely to provoke antagonism within the governing coalition between the two main right-wing candidates, Mr Barre and Prime Minister Jacques Chirac; the spread of similar rivalries to the components of the UDF can only play into the hands of the Socialists.

The probability of fresh general elections has been underlined by repeated declarations by Gaullist leaders in recent days, that the presidential election will mark the end of "co-habitation" between a Socialist President and a right-wing government.

The Gaullists are deploying a two-edged argument which could rebound against them. They need to tread the fine line between justifying the co-habitation of the past two years and denouncing any repetition of co-habitation in future; and they need to frighten the electors with the idea that the re-election of Mr Mitterrand will bring back a Socialist majority to parliament.

US makes final attempt to halt Eurofighter

By David Goodhart in Bonn

THE US Government yesterday told defence ministry representatives from Britain, West Germany, Italy and Spain, that its own alternative to the four-nation European Fighter Aircraft (EFA) would cost less than half as much with only a 15 per cent loss of operational effectiveness.

But the belated attempt by the Pentagon to persuade the EFA countries that they should reconsider their $35bn project — agreed only days ago — in favour of one of the most ambitious US-European armaments collaboration plans ever envisaged is almost certainly too late.

EFA is intended to provide up to 800 aircraft which will enter service in the mid-1990s as the main Nato fighter-interceptors and ground-attack aircraft. According to figures provided by Mr Dennis Kloske, a deputy under-secretary of defence at the Pentagon, the EFA project will involve research expenditure of $8bn to $10bn and then cost $50m to $60m per aircraft. The US alternative, the F-18, will, he claimed, require research expenditure of only $3bn and cost $24.5m per aircraft.

W Germany 'slow to shift emphasis to growth sectors'

BY ANDREW FISHER IN FRANKFURT

WEST GERMANY has lived down the "Eurosclerosis" tag of a few years ago to become the world's leading exporter but its industry has been less dynamic than that of the US and Japan in shifting emphasis to such growth sectors as electronics, the IFO economic research institute said.

This was true for research and development, as well as production, the Munich-based institute said in a report on West German industry's competitiveness. Overall, though, West Germany's competitive position had not become significantly worse in advanced technologies in the 1980s.

If West Germany had lagged behind technologically in its specialist areas of capital goods and high-quality consumer products, it would never have been able to achieve the big gains in market share seen during the period of the D-Mark's weakness.

On the other hand, IFO added, the results of its study also "offer no reasons to show that the technological competitiveness of German industry has fundamentally improved in the last few years". Thus it warned that the latest increase in the value of the D-Mark, which would continue because of the world's large trade imbalances, would have as painful an impact as was felt in the 1970s.

The report, which IFO said presented "a positive picture on the whole," comes as discussion grows in West Germany about industry's resilience at a time of increasing pressures both in export markets and at home from rising imports. Several businessmen and politicians, including Mr Martin Bangemann, the Economics Minister, have drawn attention to the rising cost of manufacturing in West Germany, as well as the need for more deregulation and flexibility.

Looking at West Germany's performance in electronics, IFO said it had performed less well than the US and Japan in the fast-growing information and communications technology sector, but held up much better in factory automation which had, however, expanded more slowly because of the slower pace of world investment.

Taking exports in the information and communications technology field as a percentage of countries' foreign sales, West Germany (at 7 per cent) was behind Japan (21 per cent), the US (17 per cent), Britain (11 per cent), and France (7.5 per cent). But IFO said the poor showing of West German industry should not only be seen as a weakness, as there had been a large transfer of technology to low-cost Asian countries in electronics. In a high-wage West Germany, the scope for competitive production was limited.

IFO said West Germany had been successful in adapting products so as to stay out of the reach of competition from low-cost countries. Here, it had done better than Japan and the US by having a lower share of its exports in low-technology sectors.

UK plea for greater co-operation on armaments

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

MR George Younger, Britain's Defence Minister, yesterday made a strong plea for more European co-operation in armaments research, development and procurement but indicated that the 7-nation Western European Union was not the right forum for such co-operation.

Mr Younger's remarks, made at a conference in London organised by the WEU Assembly, disappointed delegates from the other European countries, many of whom felt that the minister should have used the opportunity given to him as representative of the host country to further co-operation within the organisation.

The minister said that defence collaboration must embrace all the European members of Nato as well as Nato itself. It was therefore the task of the Independent European Programme Group (IEPG) to pursue the expansion of European collaboration in defence research and procurement in a Nato framework.

Having made what was essentially a political point on the need for European defence co-operation to remain closely linked to Nato, Mr Younger said it was now widely recognised that Nato's fighting effectiveness was handicapped by a disparate variety of equipment.

"There can surely be no greater condemnation of the way in which we have gone about our procurement business in the past than the fact that Nato has not, and will not have for some years yet, an interoperable identification friend or foe system in service.

"As a result, if we had to go to war tomorrow, or next year, or even the year after that, we should inevitably end up by shooting down numbers of our own aircraft — of which we do not have enough to start with."

Mr Younger called on Western European allies to encourage industrial competition for multinational defence projects, a move which he said would lead to lower arms prices for government customers.

Search continues in Gibraltar for car bomb and IRA terrorist

SECURITY forces in Gibraltar were still searching last night for a car bomb and a fourth IRA terrorist following the shooting incident on Sunday in which three IRA bombers were killed, write Michael Cassell in London and Joe Garcia in Gibraltar.

The deaths occurred after the three had been challenged by security forces who suspected a car they had parked in Gibraltar's Main Street, close to the Governor's residence, contained a bomb.

Sir Geoffrey Howe, the British Foreign Secretary, told the House of Commons yesterday the car did not contain any explosives. He also revealed that the three people shot dead — subsequently admitted by the IRA to be members of an active service unit — were unarmed.

He stressed, however, that there was no doubt that the two men and a woman had been involved in planning and executing a bombing which could have left casualties running into three figures.

The detection of the IRA plan to detonate a bomb close to the Governor of Gibraltar's residence had avoided "a dreadful terrorist act" which could have killed or injured large numbers of soldiers and civilians, Sir Geoffrey said.

As the search continued, the Governor's office in Gibraltar confirmed that Sunday's shoot-out followed a tip-off from the Spanish police a month ago when an IRA unit was located on Spain's Costa del Sol.

Meanwhile, rioters went on the rampage in Belfast last night as anger over the killing of the three IRA members swept through Republican areas. Police fired plastic bullets in West Belfast where gangs hijacked buses, vans and lorries.

Sir Geoffrey said that keys found on one of the three people killed led to a vehicle parked in the Spanish town of La Linea just the other side of the border. It was found to contain false passports and bomb-making equipment.

The suspect vehicle had been parked close to a school and old people's home. It was likely the planned terrorist act was being timed to coincide with the weekly guard-mounting ceremony involving 50 soldiers of the Royal Anglian Regiment, which has served in Northern Ireland.

There had been "strong suspicions", Sir Geoffrey added, that the suspect car contained a bomb. When challenged, the three terrorists had made movements which led military personnel to believe their lives and the lives of others were under threat. He ignored opposition calls to state whether the British Special Branch or the SAS were involved.

US takes tough line against EC stance on farm trade reform

BY WILLIAM DULLFORCE IN GENEVA

THE EUROPEAN Community was severely criticised and warned yesterday by US politicians and trade officials visiting Geneva for its attitude to farm produce trade reform.

Mr Clayton Yeutter, the US trade representative, said the EC attitude was unrealistic and would lead to total chaos in agricultural trade.

The US and EC take opposite positions in current global farm trade talks convened by Gatt (General Agreement on Tariffs and Trade).

Washington calls for a total abolition of farm export subsidies while Brussels proposes only short-term steps to reduce surplus stocks and control prices of key commodities.

Mr Yeutter was speaking at a press conference yesterday given by a team of Reagan Administration officials, led by Mr Richard Lyng, secretary of state for agriculture, and including senators, congressmen and members of private sector advisory committees on agriculture.

One aim of the high-powered visit was to show that US policy in the farm trade talks has bipartisan support in Congress and will not change whatever the result of the US presidential election.

Some European Governments, notably the French, have opposed holding a mid-term review of Gatt's current round of global trade talks in Montreal next December, arguing that US policy might change after the election.

Senator Patrick Leahy, chairman of the Senate committee on agriculture said produce exporters had two choices: to co-operate realistically in trade reform or, by deferring decisions, to face a trade war.

Senator Rudy Boschwitz, the leading Republican on the senate agriculture committee, complained that Mr Guy Legras, the director general for agriculture in the EC Commission, was aggressive and pugnacious.

Mr Legras' remarks had been unsatisfactory and did not establish a good tone for the Gatt talks, Senator Boschwitz said.

Mr Lyng and Mr Yeutter, however, sought to temper the outspoken comments of senators and congressmen after their meeting with Mr Legras.

Mr Lyng detected a change of understanding among European farm leaders. He said they now recognised that something needed to be done about farm trade and that the Community could not continue its Common Agricultural Policy without modifying it.

Both Mr Lyng and Mr Yeutter voiced disappointment at the statement on EC spending on agriculture thrashed out at the Brussels summit last month.

Italy and France end EC budget opposition

BY WILLIAM DAWKINS IN BRUSSELS

ITALY and France yesterday lifted their potentially damaging political block to the European Community's Ecu 43.4bn (£30m) budget for 1988.

The budget had been delayed for the past 10 days by Italian objections to paying more than expected for the UK budget rebate. France was also opposing attempts to satisfy Rome which it feared might threaten reforms to EC budget contributions.

EC finance ministers yesterday agreed on a compromise whereby the details of how contributions should be financed, which will be changed radically by last month's EC summit accord on budget and farm reform, will be left until later.

Now the 1988 budget will be passed to the European parliament for a vote at its next session next month. The aim is to finalise it, at another meeting of finance ministers, by the end of May deadline which EC institutions have set themselves.

The dispute arose over how to collect the cash for the UK's budget rebate.

Uncertainty over Athens strategy on US bases

BY ANDRIANA IERODIACONOU IN ATHENS

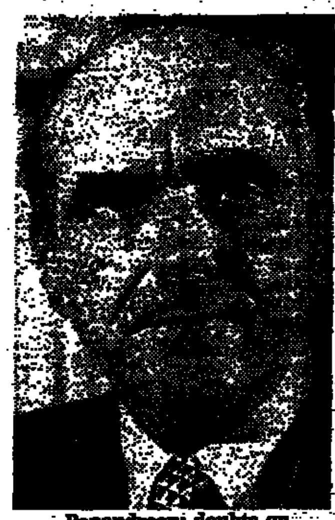
A NEW ROUND of talks on the future of the four US military bases in Greece began in Athens yesterday amidst uncertainty over the impact of the recent improvement in Greek-Turkish relations on Athens' negotiating strategy.

The Greek Socialist Government had linked an extension of the bases' tenure to securing US help towards ending Turkey's 14-year occupation of part of Cyprus and in fending off Turkish claims to extended sea and air space rights in the Aegean. The current agreement on the bases' operation expires next December.

Washington had declared its opposition to linking the bases with the Aegean and Cyprus before the start of negotiations.

Last month, however, Dr Andreas Papandreou, the Greek Prime Minister, declared that "the triangular relationship whereby Greece has pressured the Americans to pressure Turkey to solve our problems has been historically overtaken by events".

He was speaking three weeks after a landmark meeting with Mr Turgut Ozal, his Turkish counterpart, in which the two leaders struck a "no war" pact and agreed on a series of measures to ease bilateral tensions.



Papandreou: doubts on 'triangular game'

After a second meeting with Mr Ozal in Brussels at the end of last week, Dr Papandreou explained that he had not implied a change in Greece's negotiating strategy in the bases' talks. He said, however:"I do not have the feeling that this triangular game can be as effective as it might have been in the past." This implies that the heart may have gone out of this strategy.

Ecevit quits as leader of left-wing party

MR Bulent Ecevit, a former Turkish Prime Minister and a national hero when he ordered troops into Cyprus in 1974, stepped down yesterday as head of the Democratic Left Party (DLP) but vowed to stay in politics, Reuter reports from Ankara.

"The most challenging decision I have ever made in my political life is resigning from the DLP leadership," the three-times premier told a party congress.

The DLP's fortunes have been declining amid squabbles with the main opposition Social Democrat Populist Party (SHP) which have hurt the image of Turkey's once-powerful left.

"If there are people who think my resignation means abandoning the DLP they are as wrong as those who claimed I had abandoned the Republican People's Party (RPP)," Mr Ecevit said.

The DLP is successor to Mr Ecevit's RPP, which was banned with other political groups after an army coup in 1980 ended chaos in which more than 5,000 people were killed.

The DLP, which advocates a Western type of democracy without any restrictions but has no coherent economic policy, failed to win any parliamentary seats in last November's general elections, the most open since the 1980 coup.

Gorbachev: lack of consumer goods is an embarrassment

Soviet move to aid co-operatives

BY CHRISTOPHER BOBINSKI IN MOSCOW

THE SOVIET authorities have published a draft law on co-operatives seeking to guarantee them equal rights with the state sector, freedom from price controls and permission to trade abroad.

More than 8,000 co-operatives employing around 200,000 people have been set up in the Soviet Union since Mr Mikhail Gorbachev eased restrictions on non-state controlled economic activity beginning in 1986.

The sponsors of the law evidently hope that the co-operatives which already function in the service sector will also undertake production of consumer goods, the lack of which is a severe embarrassment to Mr Gorbachev.

The Soviet Union has seen the establishment of co-operative restaurants, medical clinics and beauty salons but the law now seeks to encourage companies recycling waste and producing industrial goods.

The co-operatives which are jointly owned will be able to issue shares to their members as well as employees.

Under the law the Government will seek to keep profits in line with public policy through taxes rather than direct instructions as has been the case traditionally.

Matched against the vast scale of the Soviet economy the co-operative movement is small but it has already attracted criticism from conservatives pointing out that profits are too high.

Practice until now has shown that they have been hampered by bureaucratic restrictions.

For reformers, they are designed to prove that a sector independent of central control and working on a profit and loss basis can produce results.

Moscow street fight points to labour problem

Christopher Bobinski on the problems of the limitchiki, workers drafted into the Soviet capital

REPORTS OF a major street brawl with racial overtones last month in a Moscow suburb have highlighted the social problems presented by the influx of labour into the Soviet capital.

The Saturday night fighting lasted several hours, until the police managed to get the situation under control. It resulted in 18 arrests as well as minor injuries. Now police patrols with dogs are out in the Pechatniki area in South East Moscow to prevent a recurrence.

The clash centred on a workers' hostel housing some 500 youths, mainly from Uzbekistan, who had been recruited as labour for the mammoth Lenin Komsomol car factory nearby.

Mr Gorbachev's reform policies should in theory force cutbacks in labour as companies become more cost-conscious. In the past, however, industry has sought to expand through building up its work force rather than through mechanising output. The labour shortage and its attendant problems will be with the Soviet Union for some time to come.

In Moscow as elsewhere factories have recruited from all around the country. Since 1971 some 700,000 *limitchiki*, as they are known, have been drawn by the relative attractions of the Soviet capital. Once there, however, they are trapped in hostels, with little chance of other housing, at the mercy of work supervisers. Their work permits can easily be revoked and they would then have to return home.

Other *limitchiki* leave their jobs to seek better employment and are forced to pay off hostel managers to maintain an uneasy semi-legal foothold in the city.

The Moscow party leadership has sought to stem the influx, pointing out that the city's population, now at almost 9m, is a million greater than had been foreseen by the planners for 1990 with all the attendant strain on welfare facilities.

As early as 1971 Moscow planned to move 327 plants out of the city, but only a few have actually done so. Those remaining have grown, as a factory's pull in the struggle for resources and benefits is all the greater if its work force is larger than that of its neighbours.

The fight in the Pechatniki district started, as ever, when local youth in a discotheque objected to the Uzbekhis dancing with "their" girls. When news of the row reached the hostel the inhabitants streamed out en masse onto the snow-covered open ground for the battle.

Violence as such is not new in Moscow. There were fights when Spartak, the top Moscow football team, played Dynamo from Kiev. Groups sometimes come in from outlying districts to the city proper to "sort out" Moscow youths.

But it is also fairly clear that the people in the flats surrounding the hostel, where several inmates share each room, would prefer that it was inhabited by Europeans rather than Asians. This explains much about the fight last month.

The *limitchiki* problem is not only confined to young men. Women, too, lead an uneasy existence in single-sex hostels. Marriage to a Moscow resident is a sure way of securing the right to stay in a city where women outnumber men. Five years' work in the city gives them the right to stay. But there is also the problem of finding housing to escape from the crowded hostels.

Some chose pregnancy outside marriage to try to get a flat more quickly. If they fail, then mother and child stay in the hostel, making conditions all the worse. Otherwise a single woman can only put her name on the housing list after ten years at work. A girl who comes into Moscow to work after finishing school can only hope to get a home of her own in her late thirties, if then.

Main Austrian bank appoints chairman

BY JUDY DEMPSEY IN VIENNA

CREDITANSTALT-BANKVEREIN, Austria's largest bank, yesterday appointed Mr Guido Schmidt-Chiari, deputy chairman since 1981, as chairman of the board.

Mr Hannes Androsch resigned in January as chairman of the board.

The appointment ended weeks of political speculation. The chairmanship of Creditanstalt, of which the Austrian State is majority shareholder, is politically sensitive.

Mr Schmidt-Chiari, 55, who joined Creditanstalt in 1958, takes over the bank as the Socialist-led coalition government is slowly introducing a cautious privatisation of the State-run industries and the banks.

Banking sources say that, in time, this privatisation will reduce political interference so that non-political appointments will be made, and people chosen, primarily because of administrative ability rather than through political allegiance.

The chairmen of Austria's other State-owned banks are also political appointees, elected by their supervisory boards, which have balanced membership representing the conservative People's Party and the Socialist Party, respectively the junior and senior parties in the governing coalition.

Mr Schmidt-Chiari – who is well known in international banking circles, particularly in securities operations and international relations – is regarded by his peers as cautious and sound. His appointment is expected to bring a period of calm to the bank after often critical publicity during Mr Androsch's last few months as chairman.

The latter, a former finance minister and vice-chancellor in the socialist government between 1970 and 1981, resigned from Creditanstalt after a court in Vienna found that he had lied to a Parliamentary Committee in 1980 and 1981 over tax irregularities.

Meanwhile, discussions are continuing in the coalition government over who should have the chairmanship at the Austrian National Bank. Mr Stefan Koren, the chairman, recently died.

Shippers try to beat pirates in Lebanon

BY GEORGE GRAHAM IN PARIS

INTERNATIONAL SHIPPERS are trying to set up a taskforce to combat the rising incidence of cargo theft in Lebanon.

The International Maritime Bureau (IMB), a division of the Paris-based International Chamber of Commerce, is appealing for £80,000 from private shipping and insurance companies to fund an investigation of Lebanese piracy.

Mr Eric Ellen, director of the IMB, said that the problem of ships "deviating" into Lebanese ports controlled by Christian or Moslem militias was accelerating.

"Since governments can't stop it, it's time for industry to do something," he said.

The IMB said that at least 15 ships, carrying cargoes worth at least $30m, have been diverted into Lebanese ports while passing through the Mediterranean. Goods ranging from chick peas to PVC pipes, destined for consignees in other countries, have been fraudulently sold.

Sela'ata, a port south of Tripoli, has featured in a series of vessel deviations, and at least three other small ports in Lebanon are known to receive stolen cargoes, the bureau said.

In a typical case, a ship bound from Ghana to Alexandria put into a Lebanese port in May and sold its entire 1,000-tonne cargo of cocoa beans, worth $1.6m, to local buyers. The ship owner and the crew, whose whereabouts are unknown, are thought by the IMB to have shared the proceeds.

Cargo owners are finding that insurers refuse to pay out for such losses, on the grounds that the owners did not carry out enough checks on the trustworthiness of the ship owners or operators.

Moscow protesters jailed

BY CHRISTOPHER BOBINSKI IN MOSCOW

SIX participants in a demonstration in Moscow on Sunday calling for the destalinisation of Soviet society have been sentenced for public order offences.

The six were given prison terms ranging from five to 15 days. More than a dozen other demonstrators are due to appear in court tomorrow on similar charges, according to Mr Jurij Mitirnov, a member of the Perestroika 88 group which organised the demonstration.

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EC unemployed total rises

THE TOTAL number of unemployed in the 12 European Community countries rose to 16.7m in January – up by 2.6 per cent from December but 2.7 per cent down from the total for January 1987, the EC's statistics office Eurostat said, Reuter reports from Brussels.

It said the increase was due mainly to seasonal factors. It did not give the unemployment rate.

The unemployment trend continued downwards in the Netherlands, Belgium and Britain, it added.

Lionel Barber reports on Cuban Americans' successful attempts to flex their political muscles

Bush basks in Reagan's reflected glory in Miami

MR Jorge Mas Canosa is Mr Cuba-America in Miami. A businessman by vocation, he is also the leading voice for the Hispanic community in the city, a lobbyist with well-oiled connections in Washington who can count President Reagan as a close contact.

Every presidential candidate, Republican or Democrat, would like Mr Mas Canosa's endorsement. "When he picks up the phone," said Mr Alfredo Duran, a prominent Cuban-American, "he can raise thousands of dollars in a matter of minutes."

Cuban-Americans are one of the US postwar success stories.

Cuban-Americans arrived in Miami some 25 years as political refugees from the Castro regime, and as such they do not see themselves as immigrants. Educated and industrious, theirs is one of the great post-war US economic success stories.

The lucky beneficiary will be Vice President George Bush. This illustrates a key point about today's Super Tuesday elections – however much Mr Bush's link to President Reagan may have hurt him early in the campaign, it helps him no end in the South.

In Hispanic eyes in this part of the US, Ronald Reagan comes close to deity. "He gave us a hearing after (President) Carter," said Mr Domingo Moreira, a director of the Cuban-American National Foundation, the influential lobbying organisation set up by Mr Mas Canosa. "Reagan helped the Cuban-American community mature as a political force."

As President, Mr Reagan recognised what remains the paramount political issue among the 700,000 Cuban expatriate community in Miami: the future of Cuba. He ditched any notion of lifting the US trade embargo against the Castro regime, launched anti-Communist guerrilla movements in Nicaragua, Afghanistan and Angola, and most important all he backed the creation of Radio Marti, the exile radio station which broadcasts to Cuba.

In Dade County, which encompasses Miami, Mr Reagan's good works should pay dividends. Mr Joe Pena, a Hispanic expert on the staff of Democrat US Senator Lawton Chiles of Florida, reckons there are 165,000 registered Hispanics, more than one quarter of the total electorate. Four in five are Cuban-Americans, and nearly all of them can be relied upon to vote Republican.

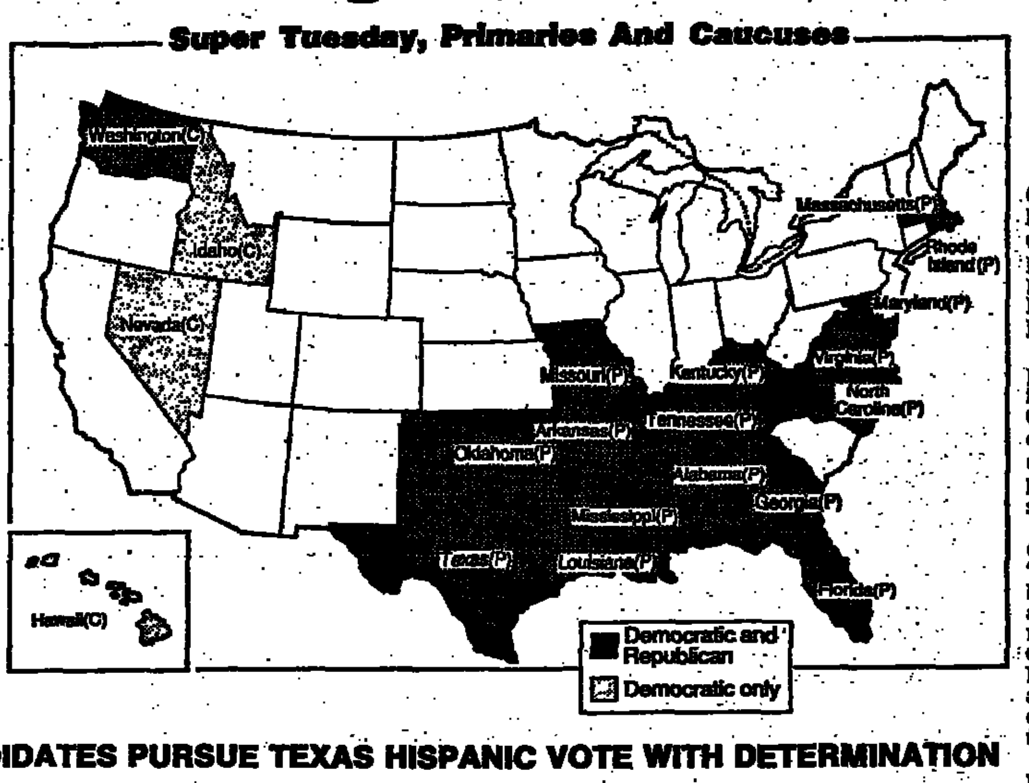
However, subtle shifts are occurring in this bastion of anti-Communism. Mr Charles Canady, a veteran campaigner who has served Senator Chiles for 18 years, says that the Hispanic community in Miami is channelling its energy increasingly into local as well as national politics.

In 1985, Miami elected its first Cuban-American mayor, Mr Xavier Suarez. In a weak-mayor system like Miami and Dade County, that may not count for much; but it should not deflect from the growing behind-the-scenes influence of select Hispanic businessmen exercised through the Cuban-American National Foundation and the Latin Builders Association (LBA).

In a recent series, the Miami Herald showed how expatriate anti-Communist Cubans in the LBA were targeting politicians with campaign contributions to further their economic goals, in this case development projects around the city.

Other recent demonstrations of Cuban political clout include the torpedoing of a fellow Hispanic lawmaker's proposal to repeal a local English language-only law (Hispanic leaders said it would harm the business image of the city); the sinking of a plan by the English-speaking business leadership to levy a tax for a Miami Symphony Orchestra; and a 1985 decision by the Metro-Dade Commission to open 2,900 acres to development.

Some have likened the Cuban strategy to that used by the Boston Irish at the turn of the 19th century who banded together at the bottom of the political machine and ended up in control of it. As the dream of toppling Castro becomes more remote, Cuban energies are likely to focus inside rather than outside the US, and that means we shall hear a great deal more about Mr Mas Canosa.



DEMOCRATIC CANDIDATES PURSUE TEXAS HISPANIC VOTE WITH DETERMINATION

SOUTH TEXAS is one of the poorest regions of the US, a region in which thousands of Mexican immigrants, legal and illegal, and thousands more Hispanic American citizens, live in poverty, writes Stewart Fleming.

A recent study by the Southwest Voter Research Institute concluded that the poverty rate among Texas Hispanics is rising alarmingly, partly because of budget cuts by the Reagan Administration.

Unlike Florida's wealthy and entrepreneurial Cuban Hispanics, the Hispanic vote in Texas is overwhelmingly Democratic and the main Democratic candidates have been pursuing it with determination.

Governor Michael Dukakis in particular has regularly spoken to Hispanic groups, making the most of his fluency in Spanish and sharply challenging the Administration's policies in Central America.

But some Hispanic leaders say they are disillusioned with the extent to which they have been able to make their voices heard in the political dialogue in a state which has traditionally turned a deaf ear to the poor, particularly if not white.

A state Democratic party dominated by conservatives (with several outstanding exceptions) has not been fertile ground for Hispanic voters, leading some civil rights organisers to begin building coalitions outside the party hierarchies.

To win the enthusiastic support of Texas Hispanics will be particularly valuable to a Democratic candidate, however. Carrying Texas in the election will be a formidable task for any Democrat, particularly if Vice President George Bush, who claims Texas as one of his homes, is the Republican candidate. A strong appeal to Hispanic voters would also buttress the Democrat nominee in southern California.

Cuomo's stirring song is music to many US ears

BY STEWART FLEMING

EVER SINCE Mr Paul Kirk, the Democratic Party chairman, rapped him over the knuckles late last year for stealing the limelight from the party's presidential candidates, Governor Mario Cuomo of New York has reduced his public speaking engagements and kept a comparatively low profile.

Yet there he was, exactly a week before Super Tuesday, a long way from home, joking with an audience at Trinity College in San Antonio, Texas that he was "the only out-of-town politician in the South who is not looking for a better job."

Indeed, until his surprise declaration of non-candidacy on a radio talk show just over a year ago, most observers reckoned he would be in the thick of the race this spring. His impressive keynote speech to the Democratic convention in 1984, followed by the magnitude of the party's defeat in the presidential election, automatically put him in the front rank for 1988.

His consistent denials notwithstanding, speculation persists that he would take a better job if it were offered. This is based on the presumption that, somehow, the Democrats will not find the answer to their prayers, either today or in the weeks ahead, and that this will inevitably lead to another wave of conjecture about a dark horse candidate emerging between the California primary in June and the convention the following month.

History suggests it does not work this way and that candidates with delegates, rather than the backroom power-brokers, are ultimately decisive.

But this will not stop the speculation, and, judging from his performance at Trinity College, Mr Cuomo himself, at least, toys with the prospect. In particular, he shows no reluctance about trying to establish himself as the Democrat with the most comprehensive vision of where the party ought to be leading a troubled America. In doing so he is also prepared, both implicitly and explicitly, to criticise the declared Democratic contenders.

"If I were a candidate. . . .," Mr *Cuomo began to tell his audience of* well-heeled Texas conservatives, only to be interrupted by a spontaneous round of applause. "No, no," he broke *in, shuffling through the pages of a* speech in which he had begun to paint a disturbing picture of an America "drifting towards perilous waters." He pulled a sheet from the bottom of the pile. "For a candidate I have another speech here. This one says everything in America is terrific, give me a shot and I'll make it better."

It was not the only deft critique he offered of the Democratic candidates. To applause from the audience, particularly when he suggested levying an oil *import fee and raising taxes on alcohol* and cigarettes, Governor Cuomo insisted that new revenues would be needed to tackle not just the budget *deficit*, but also the social priorities the Reagan ideologues have neglected.

Oh yes, he suggested, taking aim at a painless idea for tackling the problem put forward by Governor Michael Dukakis of Massachusetts, the Democratic front-runner, one should begin to collect delinquent taxes. But such an effort would "only raise \$3bn-\$4bn, if you did that much," he added, puncturing the implication of the Dukakis message that \$100bn are waiting to be picked up.

Beyond these barbed asides, Mr Cuomo's case is similar to the theme of his speech to the San Francisco convention four years ago. America, he says, needs to conclude a new social contract, begin to realise "the daring promises of the Declaration of Independence. . . opening ever wider the circle of opportunity," and reversing the process by which "our relative position in the world has begun to diminish."

"Do we need a strong defence? Of course we need a strong defence; it is our first and most imperative requirement," said a man evidently determined to avoid being tagged as just another Northern liberal.

But, he went on: "For fifty years we had a Government wise enough and strong enough to help people without suffocating private initiative. It worked for millions and millions of Americans who came here, like my father and mother, and found a Government good enough and strong enough to take care of the whole country, to bring water to *farmers in the Southwest, to rebuild* neighbourhoods in New York City, to educate children in Mississippi. . . .to care for the retired teacher in Phoenix and the palsied child in Boston." This is very much the ethnic politician from the multi-ethnic state of New York speaking.

In order to be competitive in the next century, America must "teach the whole nation to think for a living," he says, adding of the disadvantaged: "We must help them to help us, we need their strength to deal with the new challenges confronting us," and we cannot afford for so many of them to be a burden on society.

Anxious Americans are thirsting for a leader who can lift their eyes to new horizons and attack the narrowing of economic opportunities and the ugly manifestations of social decay which working class people fear are spreading beyond the ghettos where the underclass live.

This is evident from the remarkable political strength shown by the Rev Jesse Jackson in many white working class precincts, and to a lesser extent by the success of the Rev Pat Robertson's presidential campaign.

Governor Cuomo had long ago picked up these vibrations, although he, too, may have been surprised by how strongly they are now resonating through society. He continues to insist that the Democratic presidential candidates are as good a field of candidates as he has seen and that ultimately one will acquire the patina of charisma which proximity to the White House bestows.

But, as a committed public servant, he must ache to do more than make speeches about challenges which he is able to define and articulate so much more compellingly than the Democrats who are actively seeking the presidency.

Will Cuomo run? It's all in the mind, so far at least

Dukakis machine cuts swathe in North Carolina

BY NANCY DUNNE

ON THE county fairgrounds, in a large hall pungent with the smell of barbecue, the Old South unexpectedly clasped to its xenophobic bosom a Yankee would-be President – Governor Michael Dukakis of Massachusetts.

The masterful Dukakis campaign had produced a rare show for the Davidson County, North Carolina, Democrats. Few had ever seen a presidential candidate before, and the stage for the performance had been set with superb precision.

Children romped on the bales of hay set up near the stage for "photo opportunities". A local band wailed out country music, and a sense of building excitement was palpable. When the Governor finally appeared, looking slight and swarthy among the crowd of local political powers, the tense expectation turned to heated applause.

Governor Dukakis, as ever the passionless but genial technocrat, played the crowd skilfully. A few self-deprecating jokes were followed by a promise of jobs with good wages and a promise to "make America number one again." When he vowed "to bring integrity back to the White House," the crowd erupted in a standing ovation.

"I've got a good feeling in my gut," a local organiser told him when he departed an hour later. "I feel pretty good myself," he replied – with good reason.

If he carries North Carolina, the third most populous state in today's Super Tuesday extravaganza (and one poll has him leading all rivals but the Rev Jesse Jackson), and if he can do well in the rest of the South, Mr Dukakis will have fortified his position strongly for the primaries ahead in the large Northern states.

The state was targeted early by the Dukakis organisation for particular effort. Two decades of progressive North Carolina governors, emphasising economic development and capitalising on the presence of three prestigious universities, have produced a prosperous, balanced economy not dissimilar to that of Massachusetts.

Both are coastal states with mountains in the west and beaches to the east, where environmental concerns run deep. The central section of North Carolina, the Piedmont, has long attracted settlers from the North who brought with them factories and high technology industries.

Mr Sam Taylor, press spokesman for North Carolina's Commerce Department, said Gov Dukakis's claim to having created 300,000 jobs in seven years produces some chuckles in a state which has added the same number in the past three years.

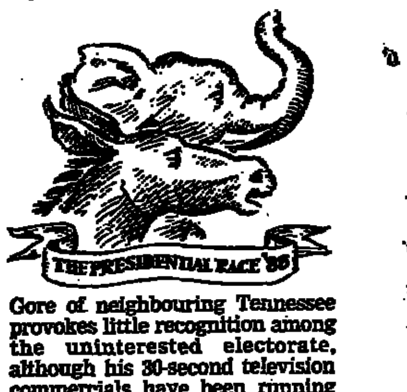
There are pockets of discontent, however, particularly in the textile industry – the state's largest single employer – which is potentially fertile ground for the populist/protectionist message of Congressman Richard Gephardt.

But the Gephardt message must first be heard, and funds are running low. The Congressman did not even open a state campaign office until nine days before the primary, and his advertising was not due to start until just a few days later.

In no way can Mr Gephardt match the resources Mr Dukakis has thrown into the state, where he has had nine paid professionals cultivating local organisations for months, 40 of the 100 counties organised and an 86-member steering committee.

Organisation and money are key in a state like North Carolina, where voter apathy is rife and few Democrats can name their party's candidates. The Rev Jesse Jackson is well known and can easily lay claim to a black base, which comprises 20 per cent of the vote in general elections and perhaps more in primaries where the committed turn out in larger numbers.

The name of Senator Albert Gore of neighbouring Tennessee provokes little recognition among the uninterested electorate, although his 30-second television commercials have been running for several days.



Even among the more politically aware, the Senator seems to have been hurt by his poor showing in the Iowa caucuses and the New Hampshire primary. "I hate to vote against a Southern person," said Mrs Voncile Moser of Thomasville, a Dukakis supporter. "But we've got to have a winner."

However, Mr Gore, who leads Jesse Jackson in one private poll, cannot be written off in North Carolina. His endorsement by the state's popular Senator Terry Sanford and former Governor Jim Hunt brought with it an important statewide network of county leaders and contributors.

But rival organisers say his campaign has failed to exploit that network, and they criticise his television advertisements which do little more than introduce him as an attractive Southerner. In fact, his rather exaggerated claims of having been a farmer and a small-businessman – both while working as a journalist – may return to haunt him if he progresses beyond the South.

Lacking the momentum of earlier victories and a clear image on economic issues, Senator Gore, says a Republican analyst, "can't get the pilot light going."

Governor Dukakis kindles little more passion, but his New Hampshire win and his Massachusetts accomplishments have brought him respect. As Sheriff Paul "Jaybird" McCrary of Davidson County explained it: "When I heard he was putting people on welfare back to work, I knew he was our man."

Autolatina nears victory on prices over Brasilia

BY IVO DAWNAY IN RIO DE JANEIRO

AUTOLATINA, the Brazilian *holding company for* Ford and Volkswagen, is in sight of victory in its battle for the right to set its own prices for cars and trucks.

Lawyers for the company were yesterday in Brasilia agreeing the terms for the withdrawal of an action in the Federal Appeals Court which attempts to force the government to adhere to an agreement leaving pricing to the manufacturers.

The deal, which is expected to be announced formally shortly, will end the most serious clash between the Brazilian government and multinational companies in recent years.

The dispute began in November when Autolatina ignored an officially authorised government price rise of 10.8 per cent and lifted its charges by 28 per cent. The defiant move, which stunned other manufacturers, was justified on the grounds that Brasilia had itself ignored an earlier agreement to free prices in return for commitments to meet export targets.

It provoked fury from Mr Luiz Carlos Bresser Pereira, the then Finance Minister, but was upheld in an interim verdict

Since then, Mr Bresser's successor Mr Mailson da Nobrega has shown interest in allowing the status quo to continue. Last week Dr Wolfgang Sauer, Autolatina's *president*, went *to Brasilia* to discuss the case and Mr Carl Hann, president of Volkswagen worldwide, was due to make a courtesy call to *President* Jose Sarney yesterday.

The compromise deal is expected to require the government to allow the company to raise its prices by its increase in costs on a monthly basis in return for a withdrawal of the court action.

US pressure on Panama canal tolls

By Kevin Brown, Transport Correspondent

THE PANAMA Canal Commission will decide later this week whether to stop accepting toll payments drawn on local banks, a senior official said yesterday.

Mr Michael Rhode, the Com*mission secretary, said a decision* was likely tomorrow if the constitutional and financial crisis in Panama continued.

The Commission, the US Government agency which runs the canal under a 1977 treaty, has been unable to process toll payments since all Panamanian banks were closed on Friday.

Shipowners said changes in the toll procedure would be unlikely to cause serious problems. The most likely requirement would be for payments to be made either by drafts drawn on certified foreign banks, or through the Commission's US bankers.

They said the dispute was not greatly important to the future of the canal, since average payments work out at only around \$450 for the largest ships able to transit.

There was also little support for US suggestions that the management of the canal had declined since 1977 because of political appointments to ancillary services by the Noriega regime.

The canal has so far been unaffected by the *political* unrest.

In Washington, the State Department said it may take retaliatory action against Panamanian *flag* ships in a dispute over the canal treaty.

The US claims that a small lights and buoys tax implemented in February breaches a treaty provision preventing local taxes on canal shipping.

Peru to introduce tough economic policy

BY BARBARA DURR IN LIMA

THE PERUVIAN government is poised to introduce a tough economic adjustment programme, abandoning the economic strategy it has followed since July 1985.

President Alan Garcia was due to outline the new policy, which is a rejection of the country's heterodox consumption-led growth model, in a nationwide television address last night.

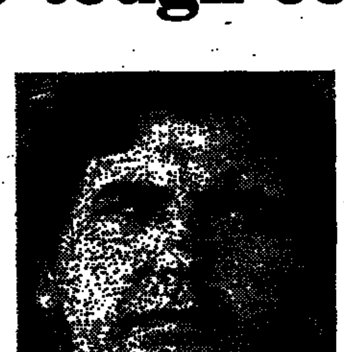
Mr Gustavo Saberbein, the Minister of Economy and Finance, will give more details in a national broadcast tonight.

The programme includes a sharp devaluation, steep price increases and higher interest rates, followed by a six-month wages and prices freeze. The basic official exchange rate of the inti will be cut by 26.6 per cent, from 33 intis to the dollar to 45 intis.

Exporters are to receive 63 intis and importers will pay 90 intis, except for basic foodstuffs and medicines and certain industrial imports, particularly for export industries.

The devaluation will be accompanied by steep price rises - petrol will increase between 70 and 100 per cent, bus fares will double, and the sales tax will go up to 20 per cent from 7.5 per cent. *To compensate, the* minimum monthly wage will more than double to approximately 4,700 intis from 2,200 intis. Interest rates will jump to 55 *per cent* from 32 per cent.

The supply of dollars available through banks for tourism will be cut, and all subsidies and tax breaks will be eliminated, according to Mr Daniel Carbonetto, President Garcia's Economic Adviser.



Garcia: to unveil policy

"This is an orthodox adjustment and it's brutal, but it's indispensable," Mr Carbonetto said.

Peru's inflation rate has been heading for 300 per cent, registering 12.8 per cent in January and 11.8 per cent in February.

Mr Carbonetto estimated that after these measures inflation in March could rise to as much as *40 per cent. But a price and sal*ary freeze will also be immediately imposed for six months to help bring inflation down to about 3 per cent a month, he said.

There will be a strict allocation of its few dollar resources to industries that produce for export and for basic "social" production.

Exports must be promoted to earn foreign exchange and import financing will be tied directly to export income, Mr Carbonetto said.

The Government is attempting to protect the poorest sectors of the population and place the burden of adjustment on the middle class. This, according to the president's adviser, is "heterodoxy within orthodoxy," and, therefore, he added, "we will probably be accused of populism."

But he said that given that the country was at war against subversion, it was politically impos*sible to do otherwise.*

Mr Carbonetto admitted that the Government had made a number of mistakes in its economic policy, *most pointedly* in not promoting exports and in delaying a recessionary adjustment.

President Garcia is expected to announce some Cabinet changes, though Mr Saberbein, who most analysts predicted would go, is staying on.

Canute James reports on the sternest test of President Balaguer's power

Dominican Republic erupts in violence

THE GOVERNMENT of President Joaquin Balaguer of the *Dominican Republic will this* week face its sternest test since taking office a year and half ago. The President has called out the *military in an effort to* quell three weeks of strikes and violent anti-Government protests over rising prices and low wages.

Strike leaders are calling for a general strike tomorrow. Teachers are planning marches from rural towns to Santo Domingo, *the capital*, and Government-employed doctors say they will strike for higher wages.

The unrest followed a statement three weeks earlier by the Catholic church about the economy, particularly the level of poverty, unemployment, health, low wages, poor power and water *supplies*, corruption and high food prices.

The current protests in the Caribbean nation of 6m people began with a complaint from small farmers in Sanchez Ramirez province in centre of the country, that the state-owned *Rosario Dominicano gold* mine was contaminating rivers, lakes and the atmosphere with cyanide and sulphur.

Although the company denied charges, the complaints mushroomed into protests about economic conditions in the country. Protestors blocked roads with garbage and then set fire to the barricades, while vehicles and business places were burnt and looted.

The protests have been more violent in the Santiago de Los Caballeros, the second-largest city, and in the poorer sections of Santo Domingo. Armed gangs have been forcing businesses to stay closed. Seven people have been killed in the disturbances, while many more have been injured and hundreds arrested.

President Balaguer threatened to use force to end what he said was an "anti-social and subservice plot." He said the Government would go "as far as is "necessary re-establish order.

This had little impact on the protesters, who were equally unmoved by the President's offer to increase the national minimum wage by 25 per cent and the wages of public and private sector workers by a third.

Central to the protests has been the rising cost of living, particularly for food, with inflation last year at 35 per cent after 10 per cent in 1986.

Government officials point to economic growth of 9.8 per cent last year, following 1.3 per cent in 1986. The growth has been fuelled by expansion in tourism and new investments in light industrial free zones, and a substantial public works programme implemented by the Government.

But the economy has been hard hit by the deterioration of the sugar industry, caused by low world prices and a progressive reduction of the country's quota on the US market.

The country has a foreign debt of \$4bn on which the Govern*ment is* making infrequent payments on interest, having suspended payments on principal. Government officials have *said* that if the suspension were to be lifted the country would have to tolerate a debt service ratio of 70 per cent.

President Balaguer's promise to crush the protests with armed force, while at the same time conceding *some legitimacy to the* strikers arguments by agreeing to increase wages, will cause him some political damage.

Pakistan fights hard for Kabul interim coalition

BY WILLIAM DULLFORCE IN GENEVA

PAKISTAN was still fighting for a compromise over the crucial issue of an interim coalition government, when negotiations resumed here yesterday on the withdrawal of 115,000 Soviet troops from Afghanistan.

Asked if he had made any progress in a two-hour morning session of indirect talks with Mr Abdul Wakil, his Afghan counterpart, Mr Zain Noorani, Pakistan's deputy foreign minister, declared: "I do not have to make any progress. The other side has got to make the progress."

Mr Noorani said he was looking for co-operation from the Kabul Government and Moscow to ensure that there should be calm and peace in Afghanistan when the Soviet forces withdrew.

Pakistan has been insisting that the Soviet withdrawal be synchronised with the establishment in Kabul of a broadly based interim government including representatives of the mujahideen guerrillas.

Mr Noorani had apparently not changed from this position yesterday after his flying visit to Islamabad at the weekend. There he attended talks between the Government and opposition parties aimed at achieving a national consensus on Afghanistan.

Most opposition leaders had reportedly urged the Government to sign the agreement, which was almost completed in Geneva last week, under which Soviet forces would start pulling out 60 days after signature. Under the terms of the agreement they would complete the withdrawal within nine months with half their forces leaving in the first three months.

The Soviet Union, the US and the present Communist regime in Kabul have refused to make agreement on the pullout conditional on the formation of a coalition government. Their position is that a new government can only be decided on by the Afghans themselves after the Soviet forces have left or during their withdrawal.

Mr Diego Cordovez, the UN mediator, had scheduled no further talks yesterday.

Islamic fundamentalism makes its mark in Philippines

Richard Gourlay on an Imam's controversial foray into local politics

IN A REMOTE Moslem corner of the southern Philippines, teachers of Islam have made a controversial foray into party politics by winning office in the recent local elections.

The move has not only disturbed the small Christian minority and the traditional lay Moslem politicians. It is also threatening to provide a more fundamentalist foundation for Moslem insurgents who have been sporadically fighting for independence or autonomy for 15 years.

Dr Mahid Mutilan, the founder of the Ompia (Reform) party was causing waves in Marawi City, in backward Lanao del Sur province, even before he beat the administration's candidate last month to become the Mayor. He set up the poorly funded party less than two years ago with hundreds of fellow Imams from mosques throughout the province and some lay Moslems.

For the minority Christians in the city, the Ompia party looks like tip of an Islamic Fundamentalist iceberg. Behind the self-effacing mildness of its front-men are more fervent figures who may undermine religious tolerance, fears Father Michel Gigord, a priest who has maintained a tenuous toe-hold for the Catholic church in the city for more than a decade.

Traditional Moslem politicians on the other hand, perhaps sensing their days were numbered, say the Ompia party is demeaning the office of Imam, and have told voters that the Koran outlaws party politics.

For Dr Mutilan, however, Marawi City's lack of telephones, street lighting, and drinking water, its potholed roads and neglected schools are testimony to the corruption of the traditional politicians he has now started to unseat. "We are almost in a medieval age," he says. "We are a place forgotten by time."

Only participation in politics by the Imams could remove the corrupt politicians who buy votes - up to $50 a vote at the January polls - and then recoup the cost, and much more, from public funds when in office, Dr Mutilan says.

Although he holds a degree from Alhazar Islamic university in Cairo, Mr Mutilan plays down any Islamic fundamentalist ambitions and says he does not want to introduce Shariah law. His idea is to run an administration "influenced" by Islamic law while respecting the Philippine constitution. "We are trying to reform the exercise of politics here," he said.

Apart from bringing a whiff of integrity to an area kept on its knees by morally bankrupt officials, he is also likely to be a strong advocate for the Moslems. At seven per cent of the population, they make up the country's largest and most turbulent minority.

For the moment, Dr Mutilan has carefully distanced himself from the three rebel groups which have been at the forefront of the Moslem insurgency since about 50,000 people died in the early 1970's at the height of the fighting.

A shaky ceasefire has largely been observed since January 1987. A committee made up of Moslems and Christians is drafting legislation for autonomy in Moslem Mindanao that is called for in the new constitution.

However, the largest rebel group, the Moro National Liberation Front, is growing increasingly edgy. A referendum, required by the constitution, will probably only approve autonomy for the six provinces where there is a Moslem majority. This is a far cry from the 20 provinces initially described as the "Moro homelands," or the 13 provinces that former President Ferdinand Marcos agreed to make autonomous.

With the Moslem insurgency rumbling like a semi-dormant volcano in the background, the election of a mayor who actually sounds as if he might do something for his constituents takes on a greater significance.

The Moslems could never prosper while local politicians had their fingers in the till in collusion with Manila. For this Dr Mutilan and many others blame Sultan Ali Dimaporo, a loyal Marcos henchman and the appointed governor of Lanao del Sur for ten years.

During Dimaporo's term, non-existent populations sprang out of nowhere - because Manila allocated cement by village. During his term, Manila disbursed enough money to cement three roads around the picturesque Lanao lake but the old dirt tracks remain undisturbed. In addition, Sultan Dimaporo raided the local university's budget to build a private army called the "Baracudas", his political enemies claim.

Mr Dimaporo denies these charges, saying the funds were pilfered before they got to Marawi. But Dr Mutilan maintains that if this is true, it could only have happened if Mr Dimaporo was in cahoots with officials in Manila. Most of them did not audit payments and were not prompted to do so by Marcos's local henchman.

Dr Mutilan is unlikely to give Manila such a smooth ride. The anti-corruption drive that made him mayor in a forgotten town of 80,000 people is inspired by concern for the four million Moslem Filipinos, whose demands he says continue to be ignored in Manila. His zeal is backed up by an implied threat.

"If we cannot get our political rights by political struggle then what can we do?" Dr Mutilan says when asked if he supports the MNLF's fight. "Now we are experimenting with political struggle."

Gulf war missile barrage upsets Soviet-Iran ties

BY OUR MIDDLE EAST STAFF

STRAINED relations between the Soviet Union and Iran resulting from the Iraqi missile barrage on Tehran could jolt Moscow into coming out in favour of an arms embargo against the Islamic Republic, Western diplomats believe.

Moscow yesterday protested that demonstrations outside its embassy in Tehran on Sunday had threatened the life of its diplomatic personnel, Tass news agency reported. For the second time it denied responsibility for the supply of the weapons, nearly 40 of which have hit the Iranian capital in the past week.

Several students who climbed over the wall of the embassy compound were quickly evicted in an incident which, nevertheless, evoked memories of the seizure of the US embassy in 1979.

Amid clear indications that the Iranian leadership had been shaken by the blitz, which has led to an exodus of people from Tehran, Mr Mohammed Javed Larijani, the Deputy Foreign Minister, said on Sunday: "Any missile bomb given to the tottering regime of Iraq by the Soviet Union will first hit Tehran-Moscow relations before hitting Iranian soil."

Despite Soviet denials, military analysts still believe that they are Soviet manufactured Skud Bs boosted by "strap-on" rockets giving them the range to reach Tehran. It is 290 miles from the front compared with the weapon's normal range of 190 miles.

Enhancing their capability would be a comparatively simple operation that the Iraqis could probably undertake themselves although the rockets might have been supplied by North Korea, they say.

Pretoria expels neo-Nazi police

By Anthony Robinson in Johannesburg

PRETORIA has given its first slap on the wrist to the neo-Nazi Afrikaner Weerstandsbeweging by expelling seven known AWB members from the Northern Transvaal police reserve.

The moves follows years of ignoring the extreme right-wing views of both regular and reserve policemen. This has been most marked in strategic areas such as the Northern Transvaal where farming communities are intimately tied in with the overall security network protecting farms in the Zimbabwe and Botswana border areas.

Despite the formal ban on members of radical political organisations belonging to the security forces the Government has seldom expelled extreme right-wing policemen. This reticence even extended to ignoring several instances where the police failed to take effective action even when uniformed AWB bullies broke up the political meetings of Cabinet ministers such as Mr Pik Botha, the Foreign Minister or Mr F.W. de Klerk, the Transvaal leader.

PART-TIME MANAGEMENT CONSULTANTS SECURE TWO COMMISSIONS

Chinese consultancy launched

BY ROBERT THOMSON IN PEKING

THE Peking Centre of Personnel Evaluation – China's first private firm of management consultants which is run by psychologists and sociologists earning a few yuan in their spare time – has won two commissions during its first week. The Government wants assistance in drafting selection procedures for the civil service, while a coal mine in Shandong wants its cadre promotion systems overhauled.

Professor Xu Liancang, secretary-general of the Chinese Psychological Society when not a management consultant, admits that assessing officials purely on their work skills is a touchy matter in a society that had previously thought it better to be well-red than well-read.

"It is still very sensitive. That is why psychology and sociology suffered during the Cultural Revolution and even before that. It was thought to be a sign of bourgeois ideology," Professor Xu said.

The concept of a professional consultant is difficult for many Chinese officials to grasp. The firm's managers point out that the word client has a negative connotation in Chinese and tends to mean a patient. Conscious of the stigma, the Peking Centre of Personnel Evaluation has customers not clients.

In all, about 80 academics have agreed to work part-time for the centre, which has a research and administrative staff of 20 and no government subsidies. Professor Xu explained that the lack of government funding means that "we have the right to choose our own projects".

"We are interested in giving assistance to factories and businesses to help them organise personnel management," said the professor.

Just as China's Communist Party reckons that is in the "primary stage of socialism," the professor and Xie Xiaoqing, the centre's director, consider that the country is in the primary stage of management, and must master Western techniques before it can consider using Japanese management techniques.

Both academics consider the Japanese methods to be more sophisticated than competitive notions of the West because "they pay more attention to the human factor," but suggest that traditional Chinese ideas are even more sophisticated because of their emphasis on harmony.

Professor Xie said China could ultimately readopt Confucian and Taoist thinking, which represents man management theory at its most pure: "It will come the full circle. Japan has had a competitive stage. We have to learn from the West and then the Japanese and perhaps then we can surpass the Japanese."

He noted that Japanese management experts are fascinated by traditional Chinese works, particularly, a classical text on strategy, The Art of War, a portrait of China during the warring states period. The Romance of the Three Kingdoms and a collection of Taoist texts.

Professor Xu said the most difficult problem to overcome in Chinese factories is the concept of the "big iron pot", which guarantees all workers and managers equal shares regardless of performance. While economic reform aims to institute a new order, the memory lingers: "People can't decide where they can work. The situation has started to change but if you belong to a work unit for a lifetime and everything is fixed."

Arab tax collectors of Gaza expected to resign

BY ANDREW WHITLEY IN JERUSALEM

THE Arab tax collectors of Gaza were due to resign en masse yesterday from the Israeli military-run Civil Administration for the occupied territories, in a move which could portend a significant phase in the three-month uprising.

Calls by local Palestinian leaders for civil disobedience have until now evoked a lukewarm response from a population heavily dependent on Israeli goods, services and employment. Consumer boycotts have had patchy results, although there have been a few signs of switching to locally made products where possible.

Nearly all the 18,000 Arab employees of the Civil Administration have continued to show up for work most days, according to government spokesman; but this excludes the 11,000 teachers whose schools have been closed.

Mr Shmuel Goren, the administration's head, insisted on Sunday that despite threats to his employees the organisation was still functioning. But if the 40 members of Gaza's Income and Property Tax Department carry out their threat – first reported in yesterday's Jerusalem Post – a snowball could soon develop, halting what remains of normal life in the occupied territories.

A clandestine radio station widely listened to in the West Bank and Gaza Strip has repeatedly urged local Arab policemen to resign from the force, giving them a six-month deadline to comply. Few have gone so far, but a prudent number are known to be staying at home, out of the way.

There was no one at the army or the Civil Administration yesterday who could confirm whether the taxmen of Gaza had indeed downed the tools of their trade, as threatened. But the Jerusalem Post said that 38 of the 40 had presented a joint letter of resignation to their Israeli superiors on Sunday night, to take effect today.

No precise figures are available on the amount of lost revenue which could be at stake. But, according to a report published by a reliable Israeli research organisation, the West Bank Data Base Project, Israel collects more from the 650,000 residents of the strip in taxes than it gives back in the form of community services.

US car groups in bid to boost sales in Europe

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

THE three leading US automotive groups, General Motors, Ford and Chrysler, are mounting an effort to increase car exports to Europe.

The drive is being led by Chrysler, largely absent from the European car market since it sold its European car manufacturing operations in 1978 to Peugeot.

By the end of this year, Chrysler will have a distribution network in central Europe and Scandinavia comprising 335 dealers.

Mr Mike Hammes, vice-president, international operations, Chrysler Motors, said the group was initially aiming to sell 5,000-10,000 cars and 10,000-20,000 Jeeps annually in Europe.

General Motors, which last year sold 5,483 US vehicles in Europe, plans to double sales this year to more than 10,000 vehicles and to 20,000 in 1989.

Resumption of exports to Europe has been boosted by the dollar's decline, but Mr Hammes said this was not the fundamental issue. "Our objective is to be the number one US exporter of vehicles to Europe."

The push should lift Chrysler export revenues from $500m in 1987 to $800m this year, of which some 80-85 per cent would be accounted for by vehicle sales to Europe, and to $1bn in 1989.

Chrysler is launching its cars in West Germany, the Netherlands, and Austria in mid-April and in Switzerland in mid-May. Sales have been launched in Belgium and Luxembourg. The group is returning to the French car market this year, and has appointed Sonauto, the Porsche-owned French distributor, as its importer. Chrysler is already selling light commercial vehicles in Scandinavia.

Chrysler's presence in Europe has been enhanced by its takeover last year of American Motors, which includes its Jeep subsidiary, from Renault. Chrysler is combining distribution of its Jeep sports utility vehicles with its car range everywhere in Europe except France and Italy.

The company will have an aggressive pricing structure in Europe. Its equivalent models will be selling at 89 per cent of the BMW competitor and 90 per cent of the Renault. It is aiming for sales of 10,000 cars and 20,000 Jeeps in 1989.

Ford has just re-entered the Swiss and Swedish markets with US vehicles

EC sets dumping duties on Japanese typewriters

FOUR Japanese-owned electronic typewriter makers based in the UK and France should pay anti-dumping duties of between Ecu22 (£15) and Ecu56 per machine, the European Commission proposed yesterday, William Dawkins reports from Brussels.

The ruling is the first under a controversial new European Community trade law adopted last year. It extends anti-dumping duties from imports of fully assembled products to products put together inside the EC using a high proportion of dumped components.

If the fines are accepted by member-states, they will hit Canon's plant in Brittany, France, which would pay Ecu44 per unit produced, Matsushita in Wrexham, UK, with Ecu40.94 per machine, Sharp in Wrexham with Ecu21.82 and Silver Reed in Watford, with Ecu 56.14. As indicated earlier, two other Japanese plants were found not to have circumvented anti-dumping rules.

They were Brother's Wrexham factory, which was found to be using more than 60 per cent non-Japanese components - a higher Japanese content would have qualifed for duties - and TEC Tokyo in West Germany, which had stopped operations before the inquiry got under way.

The Brussels authorities are also proposing to charge Ecu 65.63 per unit for electronic weighing scales made by TEC Tokyo in Preston, UK, but to exempt from duties products made at TEC-Keylard, the company's Dutch subsidiary. A separate investigation has cleared Komatsu's UK excavator plant.

Carla Rapoport writes about the outstanding problems and unfinished business between trading partners

'Opportunity Japan' a heady boost for UK companies

WHAT A DIFFERENCE a year makes. Last April, Mr Michael Howard, then the UK Minister for Consumer Affairs, was storming around Tokyo, threatening sanctions if Japan did not give way on a host of pressing trade issues.

On Thursday, Lord Young, the Trade and Industry Secretary, arrives in Japan with a clutch of top British industrialists to kick off a government campaign called "Opportunity Japan." The UK may still be running a huge trade deficit with Japan, but this is no longer seen as a problem in Whitehall.

This year, Japan has become a business opportunity, not a political football.

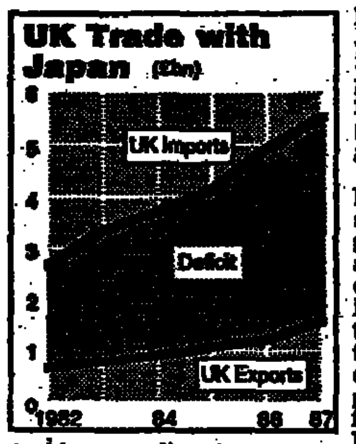
A year ago, Mrs Margaret Thatcher and her cabinet were furious about a number of major problems concerning Japan. These included Japan's unfair taxation on Scotch whisky, its refusal to grant more seats for foreigners on the Tokyo Stock Exchange, its large trade deficit with the UK and its refusal to approve Cable and Wireless' stake in a new international telecommunications company in Tokyo.

Mr Howard received no direct satisfaction during his well-reported trip last year. But in December, Japan agreed to allow 16 more foreigners on to the Tokyo Stock Exchange, including four UK companies. Also last year, it caved in on the Cable and Wireless issue – a particularly sweet success for C&W executives and UK diplomats in Tokyo who had worked tirelessly on the matter for months.

Despite these victories, government officials in Tokyo admit that there is still much unfinished business between Japan and the UK on trade matters. For example, Japan's timetable on dismantling the tax laws on spirits remains woolly. At the same time, the trade deficit between the two countries is still growing.

But mainly because of Japan's large and growing direct investments in Britain, the British government has decided to bury the hatchet. Ministers accept that Britain's relations with Japan can no longer resemble a ping-pong match. The only loser in such a game would be Britain, in terms of jobs and factories that would probably go elsewhere.

As a result, the Department of Trade and Industry (DTI) now carefully points out that the £228m expansion in the trade deficit between the UK and Japan last year was the smallest increase since 1980. The trade deficit was admittedly close to £4bn; but British exports to Japan, they report, grew by 25 per cent last year to £1.5bn. UK exports to its major trading partners grew faster only in Portugal and Saudi



Arabia, according to a press release from the DTI.

Thanks to the yen's appreciation and the more accommodating stance of the Japanese, the UK Government now believes thetime is ripe for increasing exports to Japan. "On the one hand, the market is much more open. But, on the other, you have Japanese companies scouring the world for suitable products to use, both as components in local manufacturing and in third country markets," says Mr Melville Guest, commercial counsellor of the UK embassy in Tokyo.

"Japan is now genuinely accessible for both consumer and industrial products. The yen's revaluation has made exports less profitable than before for the Japanese. They are turning to imports to make themselves competitive, or to make more money in the retail sector as imported goods offer higher profit margins."

So far, Japanese consumers have not protested about the consistently high prices for imported goods in the wake of the yen's appreciation. As a result, importers and retailers are eagerly reaping the benefit of the high yen in the form of higher margins. At the same time, UK companies are enjoying increased sales. UK products which have been benefiting from this trend include Harrods jams and teas, Crabtree and Evelyn toiletries and Laura Ashley clothing, to name a few.

On the industrial side, a host of companies has also been making inroads. Spirax Sarco, a UK valve maker, reports that sales in Japan last year were up 30 per cent in unit terms on 1986. "We are in a head-on collision with the Japanese in every area, but we have some advanced technology. And now, in some areas, our products are cheaper than the Japanese ones," says Mr Hideo Aoyama, sales manager of Spirax Sarcos' Japan branch.

Lord Young will visit another UK success story, a JAL flight simulator training station which is equipped with simulators built by Rediffusion Simulation, a subsidiary of BET Electronics. Rediffusion is the leading supplier of this equipment in Japan. Its agent in Tokyo, Jupiter Corp, however, says that more opportunities now exist for UK companies in the defence arena, as Japan is increasing its defence spending.

Lord Young: leading campaign

"Currently, it is mainly US companies that are supplying Japan's Defence Agency. We're interested in UK defence products," said Mr T. Tsuzuki, general manager, marketing, of Jupiter Corp.

The calming of trade tensions between the UK and Japan also provides a boost for UK companies in Japan. The US, for example, is still fighting Tokyo on a number of trade issues, including the imports of rice, beef and oranges and demands for increased access to Japan's semiconductor market and public works projects. As far as many Japanese are concerned, these battles weaken the image of US companies in Japan and make them look dependent on their government for business.

Britain has chosen to adopt a lower profile on these issues, including the public works dispute, which erupted over the exclusion of foreign contractors from the first stage Kansai airport project in Osaka. "We look at this construction issue in a slightly different way. The development of Japanese infrastructure, which will absorb trillions and trillions of yen over the next 15 years, will offer great opportunities for UK companies," says Mr Guest.

He says that 12 British companies are currently pursuing contracts for the second stage of the Kansai airport project. "They much prefer to pursue the matter as a business opportunity, not a political issue," says Mr Guest.

This week, along with some of Britain's leading industrialists, Lord Young will press home this point to his Japanese counterparts. After last year's fireworks, his reception in Japan is guaranteed to be a warm one.

Philips and China in joint optical fibre venture

BY LAURA RAUN IN AMSTERDAM

PHILIPS, the Dutch electronics giant, and the Chinese government have set up a Fl 72m (£21.8m) joint venture to manufacture optical fibre and optical cable.

Part of the investment will be financed by the Chinese and Dutch governments although yesterday Philips declined to say how much.

The Hague will provide a concessional loan under the contract signed in Peking last weekend. A majority of the factory's output will be used domestically in a telecommunications project along the Yangtze River linking the cities of Wuhan, Janjing and Chongqing. The rest of the 50,000 kilometres of optical fibre and 4,500 kilometres of optical cable produced each year would be exported.

Philips declined to say what it expected from the 50-50 venture in terms of annual sales. The new joint venture is to be called Yangtze Optical Fibre and Cable Company and will be located in Wuhan in the province of Hubei.

It will employ 225 people when in full operation in 1990. Technology transfer will form an integral part of the venture. About 30 Chinese engineers will study in the Netherlands and Dutch personnel will work temporarily in Wuhan.

Optical fibre production will be based on Philips' know-how and equipment while optical cable manufacturing will be based on technology used by NKF Kabel, a former subsidiary of Philips.

This is Philips' fifth joint venture in China following earlier ones in radio recorders, car radios, colour tv tubes and video disc players.

US groups vie to win Swiss air contract

GENERAL Dynamics and McDonnell-Douglas of the US are the two surviving competitors in the race to win a $2.1bn (£1.16bn) contract from the Swiss army for 40 interceptor fighter aircraft, the Swiss defence ministry announced yesterday, AP reports from Bern.

Mr Arnold Koller, Swiss Defence Minister, said the government had decided to limit the final "evaluation" to General Dynamics' F-16c Falcon and McDonnell-Douglas' F-18c Hornet.

The government would make its final choice before the end of the year. The European competitors, France's Mirage 2000 and Sweden's Gripen Jas39, were no longer in the running. Switzerland had dropped them because both systems were not fully developed.

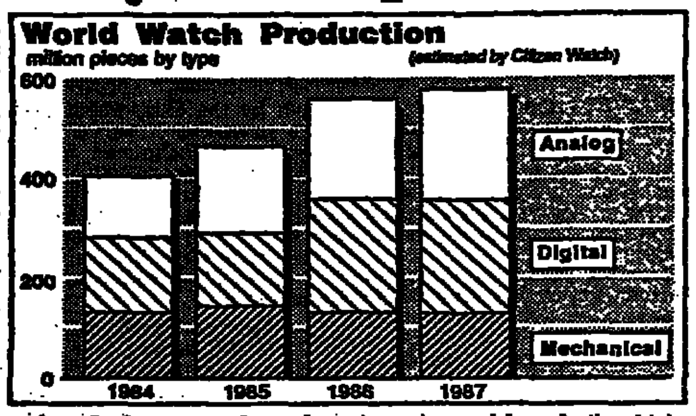
Watch industry loses spring

THE WORLD watch industry lost momentum last year as the effects of overproduction in 1986 took their toll and Japanese manufacturers' growth was stunted by the rise of the yen against the US dollar, Christopher Parkes writes.

Global output rose only 3 per cent to 878m units after a 20 per cent increase in 1986 and a 18 per cent rise the previous year, according to Citizen Watch of Japan.

Japanese production fell in the first half, but recovered later to show a net 1 per cent volume increase for the year. However, the value of output fell 19 per cent to Y245.5bn (£1.05bn) as manufacturers switched production overseas to Taiwan, Hong Kong and elsewhere in an effort to reduce the impact of the yen's appreciation.

Citizen, which claims to be the world's biggest watch company, ahead of Seiko, increased volume production 12 per cent, but the value of sales was unchanged.



The company, which is diversifying into machine tools and office equipment to reduce its dependence on watches, is also exporting its manufacturing capacity. It aims to be making 60 per cent of its watches overseas by the end of this year, concentrating Japanese resources on the top price models and other high-tech products.

Most of the market disruption has been caused by a flood of cheap digital watches from Hong Kong companies which have contracted out assembly work.

Switzerland, world leader in the quality watch business, lost 3 per cent of volume sales.

Thatcher favours inner city role for private sector

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

THE GOVERNMENT yesterday unveiled its plans for regenerating Britain's inner cities.

The action endorses the pledge given by Mrs Margaret Thatcher, at the last general election that inner-city revival would be given priority in her third term.

Strong emphasis is placed on the need for greater private-sector involvement and investment to boost the £3bn a year public money which Mrs Thatcher said yesterday is being devoted to a "major attack on the host of problems covered by the inner cities label."

The proposals are based on a 32-page colour booklet setting out measures for giving the inner cities "a chance to share in the nation's prosperity" and not, as had originally been expected, in a White Paper (policy document).

Mr Bryan Gould, Labour trade and industry spokesman, denounced the programme as a tawdry exercise which offered "virtually no new money, no new proposals and no involvement of local communities."

Ministers accept that there is little new money attached to yesterday's announcement but emphasise the scale of existing public spending in the inner cities. Mrs Thatcher said that if the policy were judged only by the money going in this would be a recipe for "extravagance and bad management."

Some specific proposals were mentioned, however. A new Urban Development Corporation in being established in the Lower Don Valley, Sheffield, with a £50m budget over seven years, and the Merseyside Development Corporation is being doubled in size.

City Action Teams are being established in Leeds and Nottingham to co-ordinate Government support for enterprise initiatives.

Urban Development Grants and Urban Regeneration Grants will be replaced from May, 1988, by a simplified City Grant.

Public authorities will be required to publish information about land which they own as part of a Government drive to bring unused and underused land on to the market.

Safe Cities, a new Home Office initiative to reduce the high crime rate is many inner city locations, will be introduced in 20 areas over the next three years with £2.3m Government support in the first year.

Renault trucks plant votes to end strike

By Charles Leadbeater, Labour Correspondent

PRODUCTION workers at Renault's Dunstable truck plant north of London are expected to return to work this morning, ending a 12-day strike, after they voted yesterday to accept an improved pay offer, which includes a 38-hour working week, the lowest in the motor industry for manual workers.

The move came as white collar unions at Ford announced that supervisors, engineers and clerical staff had voted to accept a two-year pay offer werth at least 14 per cent over two years.

The Renault strike started over what the company had called its final offer, a one-year agreement, with an increase in basic rates of 6 per cent and a two-hour reduction in the working week from 40 hours.

However, at talks last Friday the company agreed to raise its pay offer to 7 per cent.

It also offered to pay workers a lump sum to compensate them for a delay in introducing the shorter working week.

The weekly wage of the average assembler will rise from £135.67 to £145.17 a week.

The pay strike that has halted all production at Land Rover's Birmingham plant entered its third week yesterday.

Philip Stephens sees the pound soar through the DM3.00 ceiling

Treasury shifts the goal posts

Sterling policy has changed — though more as a reaction to the markets than as part of a carefully planned Whitehall strategy

GOVERNMENT policy towards sterling was unchanged, the Treasury said yesterday as the pound soared through the DM3.00 ceiling which Mr Nigel Lawson, the Chancellor of the Exchequer, defended for most of the past year.

Apparently the Treasury was not joking, but observers could be forgiven more than a wry smile. Only last Friday the Treasury had told the Bank of England to buy around £1bn worth of foreign currency to keep sterling under DM3.00.

Ironically, at a meeting on the same day between Mrs Margaret Thatcher, the Prime Minister, Mr Lawson, and Mr Robin Leigh-Pemberton, Governor of the Bank of England, it was decided that intervention on that scale was not sustainable. If substantial upward pressure re-emerged, then the pound would be allowed to appreciate.

So policy has changed - though more as a reaction to the markets than as part of a carefully-planned strategy in Whitehall. As foreign funds continued to pour into sterling yesterday morning, it was decided that the potential cost of preserving the ceiling outweighed the benefits.

With Mr Lawson's budget just a week away, the risk was that further efforts to hold sterling down would undermine the credibility of the Government's anti-inflation commitment.

A cut in interest rates - the alternative way to make the pound less attractive to investors - was seen as similarly dangerous given the inflationary potential of the present rapid growth rate of demand and credit in the economy.

Either course might have threatened an unfavourable reception from financial markets to the sizeable cuts in the basic and higher rates of tax planned for the budget.

The Treasury, of course, could claim that it has never publicly stated that DM3.00 was a firm upper limit for the pound.

That, however, is sophistry. The Bank has accumulated more than $20bn in foreign exchange reserves over the past year and it is no coincidence that most of that intervention took place during periods when the pound threatened to breach DM3.00.

The Bank has been uncomfortable for some time with Mr Lawson's commitment to the unofficial ceiling; so has Mrs Thatcher, though for somewhat different reasons.

The argument for its establishment - around the time of last February's Louvre accord among the Group of Seven industrial nations - was that it would provide a stable framework for industry. Businessmen could make decisions on output and investment in the knowledge that sterling would be kept within a relatively tight range against the D-mark.

The policy was also designed to be symmetrical, with the Treasury setting an undisclosed floor as well as a ceiling for the Sterling/D-mark rate. Businessmen could not expect the Government to "accommodate" excessive pay awards by devaluing the pound.

Mrs Thatcher would not allow Mr Lawson to take sterling into the European Monetary System's exchange rate mechanism so the next best thing was to effectively shadow the EMS. However, the floor, initially around DM2.80 and later closer to DM2.90, has yet to be tested.

Since last summer, the pound has not fallen below DM2.95 and for much of the time had been nudging DM3.00. Last month's rise in interest rates to 9 per cent intensified the upward pressure.

Investors have ignored the medium-term implications of Britain's worsening trade deficit, and focused instead on the short-term profits available from the large interest-rate differential - in sterling's favour - between the pound and D-mark.

The result has been to remove the authorities' flexibility over interest rates at a time when the Bank has appeared increasingly concerned with the need to tighten monetary policy.

Almost all the economic indicators - from retail sales to the trade and money supply figures - have suggested that the economy escaped practically unscathed from last October's stock markets' crash.

In parallel, the coincidence of rising pay awards and an expected downturn in the pace of productivity gains have pointed a possible resurgence of inflationary pressures later in the year.

As long as the DM3.00 ceiling was in place, however, the authorities could not respond to such domestic pressures with higher interest rates or by allowing the pound to appreciate.

Mrs Thatcher, meanwhile, has acquiesced in rather than supported the policy of shadowing the EMS. Her instinct is to retain flexibility in policy towards the exchange rate. At the same time she is thought to have become increasingly irritated at the costs in terms of intervention.

Having broken with the DM3.00 ceiling, however, the Treasury was anxious yesterday to emphasise that the markets had not been given totally free rein. The goal posts have been moved but the basic policy remains to promote exchange rate stability. The Bank sought to reinforce that message with a bout of intervention aimed at limiting the scale of the rise above DM3.00.

For what it is worth, the Treasury's official formulation is that it will not allow the exchange rate to rise to unsustainable heights nor will it allow a depreciation that would accommodate excessive pay awards. In the jargon of the Mandarins, the tactics may have changed but the strategy has not.

In simpler terms, the Government is sufficiently concerned about rapid deterioration in the trade position not to allow the pound to become totally uncompetitive. But Mr Lawson is not going to have his tax-cutting ambitions jeopardised by speculation that the Government has gone soft on inflation.

The expectation in Whitehall is that Mr Lawson will still opt for a "prudent" fiscal stance in the budget - although because revenues are even stronger than generally realised sizeable tax cuts will still be possible.

That, and the tightening of monetary policy implied by sterling's appreciation, will provide the background for a cut in interest rates if the pound's rise threatens to get out of hand.

The problem for the Government, however, is that by allowing DM3.00 to be breached, it may have severely dented industry's confidence in its determination to provide a stable exchange rate environment for exporters.

Acute medical sector in crisis, say doctors

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

MORE THAN 3,000 acute hospital beds were closed last year because of financial pressure on health authorities, the British Medical Association said yesterday.

The figure emerged from a BMA survey of consultants which will add to the pre-budget pressure on the Government for additional spending on the health service.

Mr Paddy Ross, chairman of the BMA's consultants' committee, said the survey came to the inescapable conclusion that there was a "nationwide crisis in the acute hospital sector.

"We again ask the Government to provide adequate funding for the acute hospital sector, and in particular to fund the consequences of its decisions about national pay awards."

The BMA survey follows last week's call by the all-party Commons Social Services Committee for an immediate injection of up to £1.5bn in the National Health Service.

It says up to 5,300 beds were closed during 1987 and 900 new ones opened. Some of the closures were part of rationalisation plans, but about 3,100 beds were closed "on grounds of response to present financial circumstances."

Based on figures for unfilled vacancies, the survey suggests a shortfall of 3,100 nurses and 370 medical secretaries. Cancellation of operating theatre sessions was reported by consultants in 31 per cent of health districts.

Board shift hits Standard Chartered share price

BY DAVID LASCELLES, BANKING EDITOR

STANDARD CHARTERED'S share price fell steeply on the London Stock Market yesterday in reaction to the announcement that Mr Rodney Galpin, a senior official of the Bank of England, was to take over as executive chairman.

The UK-based international bank's shares closed at 470p, down 40p or 8 per cent on the closing price at the end of last week. At one point the shares traded at 465p.

The market's fears centred mainly on the possibility that the banking group would be forced to make a large rights issue to strengthen its finances, which have been hit by losses and heavy exposure to the Third World debt problem.

Some analysts also forecast that Standard would cut its dividend when it announced its 1987 results on March 30. These will include an expected loss of about £150m.

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UK NEWS

ONLY 12 OF BRITAIN'S TOP EXECUTIVES COMMAND 'GLOBAL PAY RATES,' ACCORDING TO SURVEY

Salary of £2.5m leads boardroom pay league

BY MICHAEL SKAPINKER

BRITAIN HAS 12 executives earning more than £500,000 a year, according to a report published yesterday by Charterhouse, the merchant banking and financial services group.

Mr Christopher Heath, the managing director of Baring Securities, who was named as Britain's highest-paid executive in Charterhouse's remuneration report last October, retains his position at the top of the list with total earnings of £2,512,595.

The Charterhouse survey, which is published twice a year, is based on the latest annual accounts available, with the result that its league table is a mixture of 1987 and 1986 executive earnings. Mr Heath's earnings were for the year to December 1986.

Sir Ralph Halpern, chairman of the Burton Group, is back in second place with earnings to August 1987 of £1,359,000. His 1986 pay of £1,004,000 had left him in fourth place in the October survey.

Lord Hanson, chairman of Hanson, is in third place with total pay of £1,263,000. He is followed by Mr Michael Slade, managing director of the property company Helical Bar (£1,106,000); Mr Peter Stormonth Darling, chairman of Mercury Asset Management (£1,051,000); and an unnamed director of merchant bank Robert Fleming Holdings (£910,000). The company declined to reveal the director's name.

Others on the list are Mr Richard Giordano, chairman of the BOC Group (£782,300); Mr Stanley Kalms, chairman of the Dixons Group (£659,202); Mr Tiny Rowland, chief executive of Lonrho (£656,251); an unnamed director of Bankers Trust International (£633,955); a director of the WCRS Group (£622,000); and Mr Maurice Saatchi, chairman of Saatchi and Saatchi (£500,000).

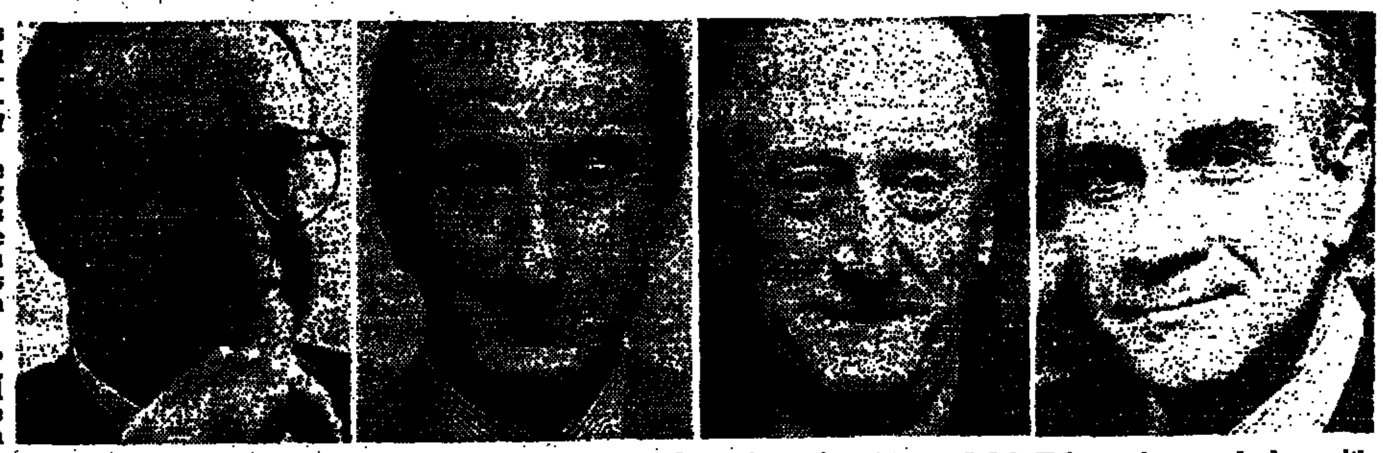
The Charterhouse survey notes that Lord Hanson, in his chairman's report, said that senior Hanson executives in the UK should be paid according to "global pay rates."

"Should other major companies with extensive international business decide that UK-based executives should have 'the benefit of global pay rates,' the rise in executive earnings over the last seven years will seem modest," the report says.

The Charterhouse survey reveals that annual base salaries for board members are increasing at a median rate of 10.9 per cent. Increases ranged from 7.3 per cent for the lowest quarter of board members surveyed, to 16.7 per cent for the highest quarter.

The median base pay increase for senior management was 9.4 per cent. The least fortunate 25 per cent surveyed received increases of 7 per cent, with the highest quarter receiving increases of 12 per cent.

Charterhouse Top Management Remuneration, available from Monks Partnership, Debden Green, Saffron Walden, Essex CB11 3LX. March edition £55. Annual subscription for both editions £135.



Christopher Heath, left, Britain's highest-paid executive with earnings of £2,512,595; Ralph Halpern, in second place with £1,359,000; Lord Hanson, in third place with £1,263,000; and Richard Giordano, one of the top 12 with £782,300

Sharp studies feasibility plan for compact disc player plant

BY DAVID THOMAS

SHARP, the Japanese electronics company, is studying plans for a compact disc player plant in Europe.

The company's existing facility at Wrexham, Wales would be a strong candidate for the plant, if Sharp decides to go ahead with compact disc player production.

Sales of compact disc players in the UK are booming, according to provisional figures from the British Radio and Electronic Equipment Manufacturers' Association. The association said that about 850,000 players were sold in Britain last year, compared with 530,000 in 1986.

There is very little UK-based production of compact disc players and many of the imports are sourced from the Far East.

However, the European Commission is in the middle of an anti-dumping investigation of imported Japanese and South Korean players, which is likely to speed up plans by Japanese companies to shift manufacturing of the product to Europe.

Aiwa is the only Japanese company at present making the players in the UK, at its plant in Newport, South Wales. JVC is planning to make them at its new plant in East Kilbride, Scotland.

Sharp confirmed that it was in the middle of a feasibility study of whether to start making players in Europe, but no final decisions had been taken.

The company has added steadily to the Wrexham product range since it began making video recorders there in 1985.

Sharp now also makes microwave ovens, photocopiers and electronic typewriters in Wrexham where it employs about 850 workers.

Sharp's only other European factory is in Spain where it makes colour televisions.

Consumer debt rises in line with retail sales volume growth

BY RALPH ATKINS

BRITISH CONSUMERS' outstanding debt grew strongly in January, reflecting the continuing spending spree in shops.

Official figures published yesterday by the Department of Trade and Industry show outstanding consumer credit rose £300m last month to a record £23.3bn. This compares with an increase of £200m in December.

The figures cover agreements with finance houses, other specialist advancers of credit, building societies and bank credit cards. They exclude personal bank loans and loans by insurance companies.

In separate figures, the DTI has revised upwards provisional estimates of the index of retail sales volume in January. Previously the index had shown a 0.75 per cent increase in the month, but is now 1 per cent higher than in December.

In the three months to January, the seasonally-adjusted level of sales was about 1 per cent higher than in the previous three months, and 6½ per cent higher than in the same period a year before.

The DTI said January's increase in outstanding consumer credit was in line with average monthly increases last year.

However, there was a fall in the amount outstanding on bank credit cards and a smaller-than-usual increase in the amount extended by retailers.

In the three months to January, outstanding debt rose £900m - about the same as in the previous three months. New credit advanced to consumers was £2.9bn in January, compared with £3.1bn in December.

The continuing expansion of consumer credit and retail sales will add to fears among some independent economists that "overheating" in the economy will increase inflationary pressures.

There are also worries that the effect on imports of excessive consumer spending may dissuade the monetary authorities from cutting interest rates.

Tourism 'in need of Tunnel aid'

By David Churchill

BRITAIN'S tourist industries must receive help from the Government if they are to cope with the influx of tourists after the Channel tunnel project is completed in 1993, the British Tourist Authority said yesterday.

The BTA said in a report that the tunnel "will have far-reaching consequences on travel and communication."

"Decades of planning have not fully prepared us to meet the challenges and opportunities which the tunnel will bring," it added.

The Government is urged by the BTA to consider funding a new high-speed rail link from the tunnel to London and beyond as well as investing in new motorways.

It also wants all Customs and immigration controls to be conducted on trains, in line with frontier crossing procedures elsewhere in Europe.

The report highlights the need for investment in hotel accommodation to meet the expected influx of tourists.

British Coal says pit closures could slow

BY CHARLES LEADBEATER, LABOUR CORRESPONDENT

BRITISH COAL would close fewer than five pits in the coming financial year as long as the industry was not affected by a significant industrial dispute, Sir Robert Halsam, the corporation's chairman, said yesterday.

This would represent a marked slowdown in British Coal's closure programme: it has closed 78 pits in the past three years, leaving it with 96.

Speaking in the wake of the National Union of Mineworkers' vote to end its ban on overtime production, Sir Robert said that unless there were major industrial relations problems the industry would meet the Government's target of breaking even in 1988-89.

He said industrial action by the NUM and the overtime ban imposed by Nacods, the union for pit deputies who supervise safety in the mines, had lost the corporation 3.5m tonnes in output in 1987-88, worth £100m in potential operating profit.

Sir Robert told the Coal Industry Society in London that the industry's troubled industrial relations were more of a potential obstacle to recovery than either falling world coal prices, reductions in the price of competing fuels or privatisation of the electricity supply industry.

As a result of the NUM ballot, miners will be paid their 1987 wage rise of 4.28 per cent. The increase will, however, be payable from the date the union officially ends the action, rather than backdated to November 1, the settlement date. Miners will lose about £200 as a result.

Mr John Northard, the corporation's director of operations, said negotiations with the Nottinghamshire-based Union of Democratic Mineworkers over the introduction of six-day production at the planned Asfordby mine were well advanced.

Sir Robert cautioned the electricity producers in England and Wales against trying to emulate the South of Scotland Electricity Board's bid to import cheap coal.

Sir Robert said it was a myth that the Central Electricity Generating Board could save £750m were it free to import coal.

Left wing tightens hold in largest trade union

BY PHILIP BASSETT, LABOUR EDITOR

LEFT-WINGERS yesterday consolidated their newly-gained control of the leadership of Britain's largest union, the Transport and General Workers'.

Control of the governing general executive council of the union, the Labour Party's largest, was recently secured by the left from right-wingers in the union, in a move which has been seen as potentially difficult for Mr Neil Kinnock, Labour's leader.

At the first meeting yesterday of the newly-elected executive, left-wingers confirmed their position by electing to chair the executive Mr Dan Duffy, from Glasgow, by 21 votes to 17.

The vote, in which Mr Duffy abstained, saw the defeat of a right-supported candidate, Mr Ian Ferguson, from the TGWU's southern region. The size of the majority is the first tangible indicator of the scale of the left's majority on the executive.

Further consolidation is expected on Thursday, when the executive is likely to vote another left-winger, Mr Eddie Gillard, from the south-west, into the vice-chairmanship.

Stolport to start Amsterdam flights

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PASSENGERS USING the London City Stolport in Docklands will be able to fly to Amsterdam from April 18, in addition to Brussels, Paris, Jersey and Guernsey.

The new service will be flown by Eurocity Airways (being renamed London City Airways). The airline is part of Mr Michael Bishop's Airlines of Britain Group, which includes British Midland Airways, and is one of the two operators from the Stolport. The other is Brymon Airways, which serves Paris.

Eurocity is changing its name to reflect better its association with the £32m Stolport, which opened last October.

London City's general manager at the Stolport, Mr Jonathan Wilson, said yesterday that while the airline also held a licence to serve Rotterdam, it believed Amsterdam was the better high-volume passenger route for the next stage of its expansion.

Amsterdam flights will operate three times daily in each direction, with a once-daily flight each way on Saturdays and Sundays. Business-class fares will be £180 return and £90 single.

Flights from the Stolport to Rotterdam, Düsseldorf and Manchester are expected to be launched later this year, as more de Havilland Canada Dash 7 turbo-propeller aircraft join the fleet.

Mr Wilson also said that the parent group, Airlines of Britain Holdings, intended to promote vigorously the case for introducing jet airliners to the Stolport, which is currently restricted to the Dash 7 airliners.

London City favours the British Aerospace Type 146 four-engined regional jet airliner to supplement the Dash 7s, which de Havilland Canada is soon to stop producing.

Mr Wilson stressed that confidence was being restored after the four-week suspension of flights to Paris from the Stolport earlier this year as a result of air traffic control problems.

Brymon Airways said yesterday that from March 28 it would increase its Paris flights from six each way daily to seven, and would also offer an express small-parcels service.

● The UK aerospace industry last year earned a record positive trade balance of £2.4bn, an increase of £500m over the previous year.

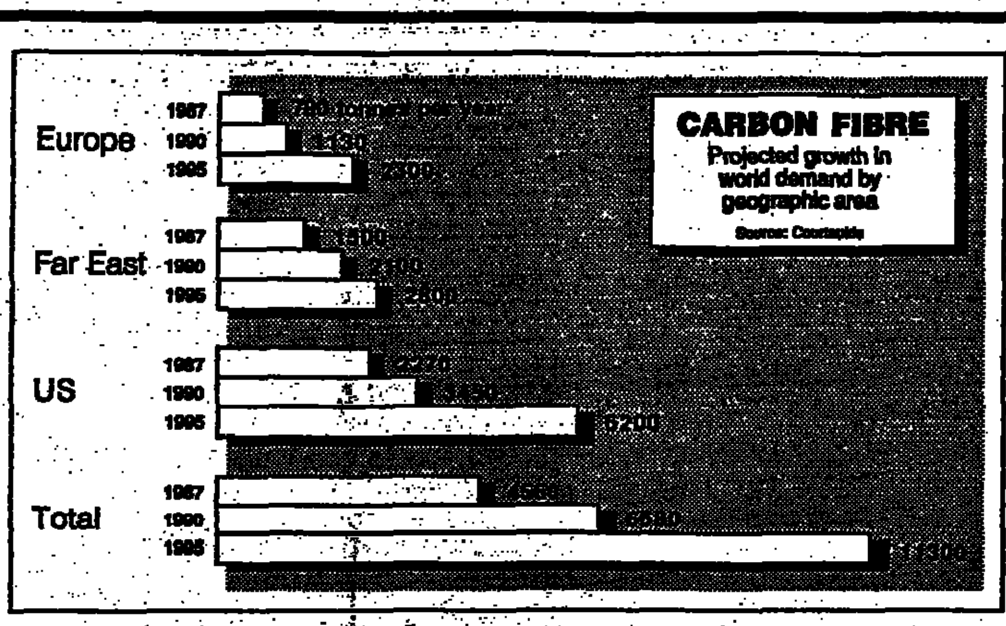
Figures produced by the Society of British Aerospace Companies, the industry's trade association, based on Customs' returns, show that aerospace exports were valued at a record £5.6bn, an increase of 18 per cent over 1986.

Major civil exports included the British Aerospace Type 146 four-engined regional jet airliner.

Imports, however, amounted to £3.2bn, largely due to the continued inflow of US-built jet airliners for UK airlines, including Boeing 747 Jumbos, 757s and 737s.

Courtaulds tugs at the tiny strands of diversification

Peter Marsh examines the textile group's development of a thinner and more versatile form of carbon fibre



A PREVAILING concern of engineering businesses, whether they are bridge builders or ski makers, is finding ways to produce increasingly thin and light sections of material, which are also strong.

This set of demands has helped to increase world sales of carbon fibre to about £100m a year. The material is strong, exceptionally light and is used to reinforce goods in a variety of industries.

But it is only cost-effective to make the fibre in thick plies, each containing as many as 12,000 individual threads. Users (and potential users) tend to prefer much slimmer bundles of fibres.

In a thinner form, the fibre could be woven into intricate patterns of fabric, which could then be impregnated with a plastic resin to form a strong component. This sort of ultra-thin, very light composite material could be used in products as diverse as an aircraft wing or an industrial machine.

Courtaulds, the UK textiles group, believes it has hit on an novel and efficient way to reduce the thickness of the fibre plies, using technology developed by Heltra, a tiny and obscure US company which it bought last year. Some of Heltra's machinery is now being transferred to Courtaulds' Coventry headquarters.

The UK group is trying to reduce its dependence on traditional textiles and to establish businesses based on new composite materials. It also has an 80 per cent stake in Hysol Grafil, the world's fourth biggest maker of carbon fibre, which is 20 per cent owned by Dexter of the US.

The other big producers of the material, world demand for which adds up to about 4,500 tonnes a year, are Toho and Toray of Japan and Hercules of the US.

Chris Fenton, a Courtaulds manager who has taken charge of Heltra, believes the purchase of the US company, which is based in Jim Thorpe, Pennsylvania, is quite a coup. It would have taken Courtaulds several years to develop its own techniques for thinning down fibres, he says.

For competitive reasons, the UK concern is anxious not to let outsiders gain a glimpse of Heltra's equipment, which it is installing behind closed doors at Coventry.

Heltra's technology is based on a system of rollers and other machinery, which separates individual threads in the 12,000-fibre standard ply through a process of stretching and breaking. The equipment then twists the separated threads, now in the form of relatively short strands, into a yarn comprising as few as 200 fibres.

The thickness of the yarn can be measured in a few millimetres, compared with the centimetre-wide tapes based on the 12,000-strand threads which are standard for carbon fibre.

The textile industry is familiar with equipment similar to Heltra's, which it uses to transform thick strands of materials like cotton or polyester into thin yarns. But the same process is much more difficult for carbon fibre, because of its relative brittleness.

Boyd Friel, marketing services manager at Hercules, the biggest US maker of carbon fibre, confirms that reducing the thickness of the threads will extend the material's range of uses. Although most customers are satisfied at the moment with the relatively thick thread, many are investigating future applications which would require thinner sections.

For Jim Ratcliffe, managing director of the composite materials division at Courtaulds, Heltra's technology is not only important because it enables thinner and lighter composites to be produced. It also makes yarns that can be interwoven with other fibres made from materials such as nickel-coated carbon or Kevlar (a strong plastic made by Du Pont) to produce mixtures with characteristics, such as toughness and heat resistance, specific to individual applications. The yarns can be used to stitch together fabric based on carbon fibre or other substances.

Courtaulds has found that these yarns can be 80 per cent as strong as the much thicker threads which are the norm in the carbon-fibre industry. The company believes this capability will propel it into new application areas for carbon fibres, most uses of which are in aerospace and military equipment.

The fibres are also being increasingly used in general machinery, for instance, in measuring equipment and in vehicle components such as drive shafts. Other applications are in sports goods, such as tennis rackets, and in industrial textiles.

Heltra was started 22 years ago by George Tradewell, a textiles expert. It has only six employees, though Courtaulds intends to double this number over the next few months.

Kirk Tradewell, son of the founder, is Heltra's operations manager. He says he and his father "entertained the idea" of seeking a commercial involvement with either Hercules or Great Lakes Carbon, another US maker of carbon fibre.

But the two Tradewells – the father still works for Heltra as a consultant – eventually accepted the Courtaulds offer. "It was the only serious bidder which would give us the opportunity to stay with the company and take our concepts further," says Kirk Tradewell.

Denmark takes a weight off its inter-city railway system

By Hilary Barnes in Copenhagen

NEW light-weight inter-city trains are being introduced by the Danish state railway, DSB, this autumn.

The trains, called IC3s, will not be hauled by locomotives but driven by ordinary Deutz eight-cylinder diesel truck engines built into the coaches.

The three-coach trains are made of aluminium and will have a maximum speed of 200kph. They are being built by Ascan-Scandia, of Randers, Jutland. Each three-coach set can be coupled to others to increase carrying capacity.

One of the main aims of Niels Tougaard, the DSB engineer responsible for the project, was to make the train as light as possible. The first weight-saving was the elimination of a locomotive, which normally weighs around 70 tonnes while the three-coach IC3 weighs a total of 90 tonnes. Other reductions have come from the use of aluminium and having fewer wheels. Weight per passenger seat has been reduced from more than 1,000kg on a traditional train to about 620kg.

To minimise vibration and noise, the train consists of an outer and inner tube and all contacts between the tubes are rubber. Each motor is suspended by just four bolts.

DSB wants the new generation of inter-city trains to operate for 2m kilometres without having to be taken out of service because of breakdowns. To try to achieve this, each three-coach set has four motors; if one breaks down the train can still operate. A defective motor can be lifted out and replaced by a spare one in a matter of minutes, as can the gearboxes. The electrical systems (from West Germany's AEG-EMG) and computer control systems are also doubled up.

Danish analysts who have looked closely at the project say the computer systems include a lot of untried software and may be a weak point.

They add that doubling up on motors and other systems will be the key to achieving the ambitious target for length of service. It sounds an expensive way to do it, but the purchase price of the IC3 is considerably less than that of a conventional train.

WORTH WATCHING

Edited by Geoffrey Charlish

A break with the cage

INA Bearings of the UK has departed from the normal design for roller bearings by removing the cage, which holds the rollers in place. The aim is to reduce friction, increase operating speeds and allow higher loads.

The rollers operate in the space between the shaft and the outer ring, usually with the cage keeping them a fixed distance apart. Instead, the INA design injects oil at pressure, through equally spaced holes around the outer ring, to keep the rollers separate.

More rollers can be used in the space previously taken up by the cage, increasing the load performance compared with a caged bearing of the same size. Alternatively, the bearing can be made smaller for the same load.

Since the rollers do not run in a cage, friction is reduced, says INA. Furthermore, because oil is made to flow steadily through the bearing, frictional heat is removed, which in turn allows higher speeds and greater loads.

The bearing is aimed at high power transmission shafts (tests were conducted at 400mm diameter) where energy saved can be valuable. The bearing costs 15-20 per cent more than the conventional equivalent.

Phone calls for the record

RETELL, a small UK company, is offering a convenient unit that allows any telephone call to be recorded automatically.

It consists of a small cassette recorder and a sensitive microphone that fits to the telephone's earpiece. As soon as the handset is raised to the ear, a tiny mercury switch starts the recorder, stopping it when the phone is put down.

Approved for use in the UK, the unit costs £89.

When data speaks louder than words

IAN ROSS, president of AT&T Bell Laboratories in the US, believes that business demands for new telecoms services are now materialising "almost as fast as the technologies for satisfying them."

He predicts that by about 1995, data transmission traffic will exceed voice traffic, pointing out that information systems already have immense strategic significance, with the power to transform manufacturing and supplier-distributor relationships.

The technology itself will change radically in the next decade, says Ross. The change from analogue to digital working will be completed, cables will be made largely from glass instead of copper, and hardware-driven networks will become software-driven. But, in particular, closed telecom networks controlled by the telephone companies will become open networks "that customers can control and manage for themselves."

Cutting the cost of plotting

VERSATEC, the California-based Xerox subsidiary, has introduced large electrostatic plotting machines at roughly half the price of current machines of the same size.

The product is aimed mainly at companies which use groups of stand-alone workstations and personal computers (PCs) for computer-aided design.

With a basic price of less than £20,000, the model 8536, for example, can print an A0 (34-inch wide) drawing in under a minute, whereas a conventional pen plotter might take up to 20 minutes. At such speeds, many engineers can use the new plotter without any serious delay building up.

It uses a paper-wide head of tiny nibs, which produce 200 charged spots per inch on special paper fed from a roll. Black toner powder clings to the charged areas and is fused to the paper surface to give a high quality, black on white drawing.

The plotter can be programmed to take data from a variety of workstations or PCs by inserting a small magnetic disc. It memorises the drawing data which is fed into it, allowing repeat printing. It can be left to run off copies overnight without attention.

A control panel display of four, 20-character lines provides various options for the user, which include scaling the drawing up or down, rotating it, printing its mirror image or altering the thickness of the printed line.

A smaller version, the 8524, prints on 24-inch paper and costs less than £16,000.

A guide to telecoms costs

OCTAGON Telecommunications Services of London has issued the first edition of its Guide to Telecommunications Tariffs, available on an annual subscription of £300 and issued three times a year.

Many communications managers realise that telecoms deregulation in the UK ought to reduce their companies' bills. But making the correct choice of competing services and tariffs is far from easy.

John Hunter, responsible for the guide, says the cost of telecoms in a large business can be cut by as much as 25 per cent. "Choosing the most effective service in terms of cost, reliability, quality of service and ease of implementation is now both more important and more complicated than it ever has been."

The guide provides a clear explanation of tariff structures and the steps required to carry out a sound comparison between services. The first issue covers telephone call charges and compares BT and Mercury in terms of switched services, call types and charges, savings per call and access charges. Other sections describe ways of analysing traffic and how to evaluate savings. There is also a summary of the most frequently used tariffs.

The second issue will deal with private circuit charges and the third will cover packet data switching and managed network charges.

Shaping up with sheet metal

FULLY automatic production of sheet metal blanks is provided by a unit made by Wevelgem-Gullegem in Belgium and available in the UK from Shape Machines of Marlow, Buckinghamshire.

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AUSTRALIAN BUSINESS

Chris Sherwell reports from Melbourne on an extraordinary story of corporate and managerial ingenuity

Elders IXL catapulted to international prominence

ANYONE WHO imagines that last October's share market collapse finally thwarted the international ambitions of Australia's infamous corporate predators should think again. At least one of them – Elders IXL, led by the ebullient Mr John Elliott – is still on the move, and in a big way.

In each of its main activities – brewing, agribusiness, resources, financial services and investment – the Melbourne-based group has built a core business and is conceiving aggressive ideas for further expansion. Judging by its formidable record and strong finances, competitors ignore it at their peril.

Mr Elliott himself, only 46, appears newly energised to lead the group in this fresh phase of its existence, despite having reached a cross-roads in his remarkable business career last year.

More significantly, he and his fellow executives – known locally as "The Boys" – stand to reverse normal trends and, within a few years, win large shareholdings in the group for themselves.

Elders IXL is a prize worth coveting. In the past three years it has become Australia's largest brewer, and the world's sixth largest. In its range of beers it has a national branded lager – Foster's – which has now successfully gone international. In his much-reported phrase, Mr Elliott would like to "Fosterise" the world.

In agribusiness, Elders is Australia's premier farm services agency, involved in real estate, in finance and insurance, in supplying chemicals, fencing and other merchandise, and in marketing.

It is also Australia's largest broker and exporter of wool, largest livestock agent, biggest malt producer and a leading beef supplier. Currently it has its eyes on the local and international grain trade and on extending its farm services and meat businesses to the US.

Elders Finance, already Australia's largest non-bank financial institution, is a prominent dealer in foreign exchange and is an international stockbroker, futures trader and fund manager. It is now seeking a bank acquisition abroad to expand its activities further.

The 48 per cent-owned Elders Resources, having grown at record-breaking pace since 1985, is meanwhile merging with NZ Forest Products, one of New Zealand's biggest forestry groups. The transaction will make it one of the country's top 15 companies in its own right – and it is well positioned to stalk another newly-merged resources group, North Broken Hill Peko.

In terms of corporate and managerial ingenuity, therefore, the story of Elders IXL is, even by Australian standards, extraordinary. But it is also notable for having been crafted by a team of men who have remained friends as well as colleagues.

Mr Elliott himself has shaken off the swashbuckling image pinned on him at an early stage at home and, later, abroad. Ruthless and ambitious he may still be, but he now rightly commands respect.

He may be the first to say he is running Elders, yet he is also quick to pay tribute to those helping him do it. They, in turn, readily acknowledge his leadership, for they delight in his delegation of authority. In the words of one biography: "Without being the boss he is frustrated; without the team he is lost."

Mr Elliott's leadership springs from his decision to "go it alone" in 1972 after six years at McKinsey, the management consultants – his first job after gaining an MBA at Melbourne University.

After combing Australia's companies for one which was underperforming with undervalued assets, he bid successfully for a Tasmanian jam manufacturer named Henry Jones (IXL).

With a combination of MBA theory and McKinsey practice, he turned it round by imposing a new management structure, selling off assets and reducing his A$30m (US$21.9m) borrowings. It was a pattern which would be repeated.

Nine years of hard work later, after trebled profits and quadrupled sales, Mr Elliott went into the venture which created Elders IXL – the merger with Elders GM, a big pastoral group then in the sights of Mr Robert Holmes à Court.

Fortuitous in its timing, the deal showed how Mr Elliott could grasp an opportunity. This, after all, had little to do with jam. But Elders GM was a series of fiefdoms in clear need of rationalisation and, as with Henry Jones, its circumstances were quickly turned to advantage.

Two years later came a still more ambitious deal, taking the group in the direction for which it is now best known internationally – brewing. This was the acquisition of Carlton and United Breweries, prompted by a raid from Mr Ron Brierley.

CUB had built up a 49 per cent interest in Elders, so the Brierley move was a real threat. Mr Elliott quickly put together borrowings of close to A$1bn to take over CUB. Once he had got it, an efficiency drive and a sale of assets helped repay some of the debt.

By 1986, Elders IXL was an Australian phenomenon, as the doubters then learned. A takeover onslaught on Broken Hill Proprietary, Australia's largest company, by Mr Holmes à Court prompted Elders to amass its own 18 per cent stake, spending A$1.7bn in a single day. BHP reacted by taking a A$1bn crossholding in Elders.

Mr Elliott had judged Mr Holmes à Court might gain control too cheaply and his move prevented this happening. When BHP's ownership problem was finally resolved last month, Mr Elliott could point to Elders' substantial equity-accounted profits from BHP and a healthy profit on selling rights to BHP Gold shares.

Just as important, BHP by its cross-holding had made a helpful contribution to expanding Elders' capital base – precisely what the group needed to launch its next move: an audacious £1.8bn (US$3.18bn) takeover bid for Allied Lyons in Britain.

Unfortunately for Mr Elliott, the bid did not go through because its complex financing was referred to the Monopolies and Mergers Commission. By the time it emerged, the offer had been overtaken by the bull market.

But the fact that it was cleared greatly enhanced the group's stature – as was proven when Elders instead bought Courage, the UK brewery group, in September 1986 for £1.2bn.

On that occasion, Elders arranged the financing within three weeks through the issue of convertible notes in multiple currencies. Three months later, it raised A$900m from shareholders through Australia's largest-ever rights issue, and launched a successful A$430m bid for Carling O'Keefe, Canada's third largest brewer. Then it announced a radical plan to float off the 5,000 Courage pubs to raise more cash.

It is these deals, more than any others, which have catapulted Elders to international prominence. But other transactions are doing the same: last year's acquisitions of important grain silo interests in the US, for example, and latterly the ambitious NZ Forest Products merger.

Critics point out that the floating of Elders Investments in Hong Kong just before the crash has been a disappointment – yesterday the 75 per cent-owned unit revealed losses of US$17.1m between its formation on August 28 and the end of last year.

The UK pub flotation plan has had to be dropped in favour of a joint venture with a property company. But the performance of the group overall continues to astonish.

Last month, Elders published its interim profits for the six months to December – a period which included the effects of the crash. Equity accounted profits were up 83 per cent. Market value of investments was still A$243m above book value.

With the BHP deal and the Courage pubs venture, Elders will be free of debt with shareholders' funds above A$5bn. No one doubts that it will now gear itself up for another ambitious acquisition.

Mr Elliott acknowledges that this success owes much to the men he has hired. Three – Richard Wiesener, Bob Cowper and Peter Scanlon – remain close to him despite having gone their own way. Others – Peter Bartels, Ken Jarrett, Michael Nugent and Geoff Lord – now run the main divisions. Each knows the other well. All function as a team. Disruptive internal clashes are minimal.

It was, therefore, scarcely surprising that last year Mr Elliott's thoughts turned more to politics – something which for him is as potent in its seductive power as business and his other great love, Aussie Rules football.

With Elders well established and an election due by early 1988, he considered running for the opposition Liberal party. He had always supported the party (he was its treasurer), and it promised to take advantage of the Labor Government's obvious difficulties in running the economy.

But the Liberals' long-lived coalition with the Nationals foundered, and Labor went to the country earlier than expected. At Elders, moreover, Mr Elliott's possible departure prompted determined moves to keep him.

In a neat dovetailing of objectives, a scheme was devised to restructure the company in a way beneficial both to shareholders and to directors – and specifically to Mr Elliott, who, while rich, is not fabulously wealthy.

Recognising that wealth meant independence, Mr Elliott saw that the scheme could furnish the vital prerequisite for any politician interested in leading the country in fresh directions.

Mr Elliott duly postponed his electoral ambitions, but conveniently became chairman of the Liberal party – a shift giving him a still higher political profile. The Elders restructuring, however, had to be shelved because of the share market crash.

The plan, crafted chiefly by Mr Scanlon, would have created separate quoted entities out of the group's main business divisions, all controlled by an Elders IXL holding company. This in turn promised to end up in hands friendly to Mr Elliott and his executives.

The BHP settlement does this even more clearly, because BHP's 18 per cent stake in Elders is passing to a company called Harlin, in which Mr Elliott and his fellow-executives have a direct stake.

The overall effect is not only to secure the defences of Elders against takeover for the next few years, but also to give Mr Elliott and his executives a chance of controlling the whole group provided they perform well.

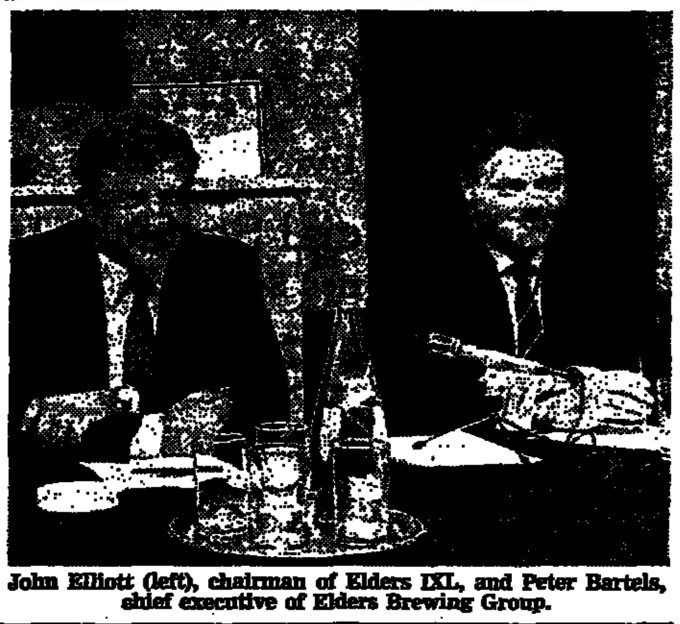
When the time is right, therefore, the Elders restructuring will be revived – and on present trends the group will be far larger than it is today. At that point, Mr Elliott's career will probably shift, for he can be expected to shoot for the prime ministership. It will be his greatest challenge.

ELDERS IXL and its associates have built up a 12 per cent stake in AFP Investment Corporation, Mr Basil Sellers's company which has a cross-holding in Elders of potentially 32 per cent and effectively controls Gestetner, the UK office equipment group, Our Financial Staff writes.

Last week Mr Larry Adler's FAI Insurances said it and Mr Abraham Goldberg, a businessman who spoke for as much as 19 per cent of AFP, had considered but decided against a bid for the company.

Analysts said Elders might have acquired part of the stake from Mr Goldberg. No price was disclosed but AFP shares added 5 cents yesterday to A$1.07, valuing the company at A$478.6m (US$347.6m).

Elders is said to hold some 5 per cent of AFP but counts this together with stakes owned by Mr Peter Scanlon and Mr Richard Wiesener.



John Elliott (left), chairman of Elders IXL, and Peter Bartels, chief executive of Elders Brewing Group.

LAW

● FT LAW REPORTS

Divided liability for bank's loss

SUMITOMO BANK LTD
V RABOBANK NEDERLAND
Court of Appeal (Lord Justice O'Connor, Lord Justice Lloyd and Lord Justice Nicholls):
March 2 1988

AN IRREVOCABLE letter of credit may be extended by conduct after expiry if the issuing bank accepts a tender of fresh documents in place of non-conforming documents rejected before expiry; And where the credit is so extended, the sellers' assurance to the confirming bank that they accept full responsibility for discrepancies renders them liable for the bank's interest losses arising out of the non-conforming tender, but not for any subsequent loss caused by the issuing bank's delay in accepting the re-tendered documents.

The Court of Appeal so held when dismissing the major part of an appeal by Sumitomo Bank Ltd from Mr Justice Leggatt's decision that it was not entitled to interest as against Co-operative Centrale Raiffeisen-Boerenleenbank BA ("Rabobank Nederland") in respect of transactions arising out of an irrevocable letter of credit confirmed by Sumitomo. The appeal was allowed in respect of interest covered by an assurance of responsibility for discrepant documents given by Rabobank to Sumitomo.

LORD JUSTICE LLOYD said that an irrevocable letter of credit was opened by an Egyptian Bank, Banque Misr, in favour of Dutch sellers of butter oil c & f Alexandria.

The letter of credit called for shipping documents to be presented, including sanitary certificates issued by the Dutch Government.

Sumitomo Bank in London confirmed the letter of credit, and it was transmitted to the sellers through Rabobank, as sellers' agent.

The goods were shipped in four shipments. Documents were presented by Rabobank to Sumitomo on October 18 1982, October 19, October 28 and November 5.

Sumitomo drew Rabobank's attention to the fact that the sanitary certificates were not in order. On each occasion Rabobank replied "We assume full responsibility for discrepancies...so please effect payment."

Sumitomo thereupon paid 90 per cent of the price under reserve, and forwarded the documents to Banque Misr. The 10 per cent balance was to be paid later.

On November 18 Banque Misr telexed Sumitomo that the documents relating to the first two shipments were not acceptable to the buyers. There was a valid rejection of those documents before the credit expired. It expired on November 22.

On November 29 Rabobank forwarded four fresh sanitary certificates in respect of all four shipments to Sumitomo, with copies direct to Banque Misr. It invited them to lift their reserves.

On November 30 Banque Misr lifted the reserve in respect of the first shipment and authorised Sumitomo to pay 90 per cent. On December 22 it authorised payment in respect of the third shipment, and on January 6 1983 it authorised payment in respect of the second and fourth shipments.

The effect of those transactions was that Sumitomo was out of its money on the first shipment from October 22 to November 30; on the second shipment, from October 25 to January 6; on the third shipment, from November 8 to December 22; on the fourth shipment, from November 12 to January 6.

Sumitomo claimed interest for those periods under Rabobank's "guarantee."

Mr Justice Leggatt dismissed the claim. He held inter alia that since the documents were ultimately accepted by Banque Misr, it must be treated as having accepted them when they were originally tendered, and that Sumitomo's claim, if any, lay not against Rabobank but against Banque Misr.

Sumitomo now appealed.

When the sellers forwarded the fresh sanitary certificates on November 29, they were re-tendering the documents. The letter of credit had by then expired, but by forwarding the fresh certificates, they were, by implication, asking the buyers to extend the credit.

The buyers did so, by conduct. It frequently happened that the validity of a letter of credit was extended by consent of all parties. Such consent could be implied as well as expressed.

That was what happened here. It followed that Banque Misr's acceptance of the documents did not date back to the date of the original tender.

So far as the first shipment was concerned, the delay in accepting the documents between October 22 and November 30 was due solely to the sellers' failure to tender conforming documents in the first place.

Banque Misr was not obliged to reimburse Sumitomo until November 30.

When Rabobank "assumed full responsibility for the discrepancies," it must have meant it was accepting full responsibility for any loss suffered by Sumitomo arising from the discrepancies.

In the case of the first shipment, that must include interest for the period between the original non-conforming tender, and acceptance of the fresh tender on November 30.

So Sumitomo was entitled to recover interest for that period from Rabobank.

The same applied to the other shipments for the period up to November 30. Although there had *been no unqualified rejection of* documents relating to the third and fourth shipments when the *letter of credit expired, the natural* inference was that the buyers were extending the letter of *credit to enable a fresh tender to* be made in relation to all four shipments. That was what in fact *happened on November 30.*

In the period subsequent to November 30, the documents for *the third shipment* were eventually accepted by Banque Misr on December 22, and for the second and fourth shipments on January 6 1983. There was no explanation for the delay in acceptance.

Article 8 of the Uniform Customs for Documentary Credits required an issuing bank to examine documents within a reasonable time, and then to choose without delay whether to accept them or reject them.

Banque Misr was in breach of article 8. It had had all the documents, except the fresh sanitary certificates, by *November 12*. A reasonable time for examining the documents elapsed no later *than November 30*, when the fresh sanitary certificates arrived.

Rabobank should not be held liable under the terms of its "guarantee" for Banque Misr's delay in accepting the documents after November 30.

When the parties gave and received the guarantee, they must have assumed that Banque Misr would comply with its obligations under the letter of credit. The loss suffered by Sumitomo subsequent to November 30 arose from Banque Misr's breach, not from the original discrepancies.

The second main question related to the 10 per cent balance of the contract price.

The letter of credit provided that it was to be paid within 60 *days from date of completion of* discharge, and "after assurance that consignment strictly complying for *specification mentioned* in credit terms."

On the first shipment 60 days expired on December 24, but Sumitomo did not pay the 10 per cent until May 5 1983. Rabobank claimed interest from December 25 to May 5. It made similar claims in respect of the other shipments.

Sumitomo said it was not obliged to pay the 10 per cent until the Egyptian buyers had assured themselves that the goods complied with the specification, and had given instructions to Banque Misr to that effect. So it denied liability for the interest.

The meaning of the provision was obscure. Rabobank's construction was preferable.

The provision for payment within 60 days was the controlling provision. If within 60 days the buyers claimed that the goods did not comply with specification, the 10 per cent ceased to be payable under the letter of credit, and became payable, if at all, under the contract of sale, subject to the buyers' right of counter-claim or set-off.

But if no claim was made within 60 days that the goods did not comply with specification, the 10 per cent was payable under the letter of credit forthwith.

The alternative construction could lead to the sellers' being held out of their money indefinitely while waiting for buyers' instructions.

The second point was therefore decided in Rabobank's favour.

The appeal *was dismissed on* the second point, but allowed in part on the first point.

Lord Justice O'Connor and Lord Justice Nicholls agreed.

For Rabobank: Mark Hapgood (Slaughter & May)
For Sumitomo: Peter Creswell QC and Caroline Walton (Clifford Chance)

Enterprise agencies

'We are poised at a critical moment'

Charles Batchelor examines where their future may lie

JOHN CARPENTER, executive director of Milton Keynes Business Venture, the Buckinghamshire town's enterprise agency, devotes much of his time to advising others how to set up and run their business.

But in recent months, Carpenter, who spent 30 years in the motor industry before going into small firms counselling, has been devoting more of his energies to solving his own agency's business problems.

In common with more than 300 agency directors spread around Britain, Carpenter has been pondering how to make himself less dependent on the Government, his local authorities and the private sector for financial support.

He is currently looking at a plan to set up a centre to provide local companies with marketing advice but wonders whether there would be enough customers in the area to make it profitable.

"We've been looking at projects which would earn us revenue but it's been difficult to find one which comes up with the goods," he concedes. "We're poised at a critical moment. How much longer will our initial sponsors be ready to back us?"

So concerned are the agencies about their future that they are holding a three-day conference in Durham on April 6-8 entitled Needs of the Nineties to discuss what steps they should take.

When the first of the agencies, the St Helens Trust, was set up in 1978 with the backing of the glass giant Pilkington Brothers, unemployment was rising fast and private industry and the Government was desperate to promote any project which might create jobs.

This depressing economic climate continued into the early 1980s as the enterprise agency idea caught on. With the energetic backing of David Trippier, then Small Firms Minister, more than 300 were set up around the country.

"Enterprise agencies became the macho symbol of the 1980s," says David Grayson, a director of Business in the Community (BIC), which is the umbrella organisation for the agencies. "Every town had to have one."

Given Britain's lack of a statute-backed network of chambers of commerce, which play a major role in backing small business in countries like France and West Germany, the creation of an enterprise agency network has made a significant contribution to the country's small firms sector.

But in the second half of the decade the challenges facing the agencies are starting to change. Unemployment has begun to fall; helping businesses expand rather than easing the jobless into self-employment has become more of a priority; and both Government and private industry are starting to reassess their role in the agency network.

Sophistication increased

As the number of agencies has grown and the people running them — either permanent managers or secondees from industry and commerce — have gained experience so the services they offer have increased in sophistication.

Now in its fifth year, John Carpenter's 14-strong team in Milton Keynes provides 1,500 counselling sessions a year; runs a range of Manpower Services Commission-funded training courses; and also have a £50,000 seed capital fund.

But some agencies are developing an even wider vision, according to BIC's Grayson. "A dozen or so of the bigger agencies are starting to play a part in the total economic development of their region," he says. "They are involved in issues such as attracting inward investment."

For all their enthusiasm for a wider economic role the agencies will continue to be judged by their success in helping small business.

A survey carried out by BIC last year showed that agency assistance had halved the failure rate which would otherwise be expected among young companies. One in six of the businesses helped by an agency failed in its first three years compared with the one-in-three failure rate of small firms generally.

But the rapid growth of the number of agencies and the degree of autonomy they have has inevitably made for uneven standards. "In the early days there was a belief there had to be blanket coverage at all costs," notes Maureen Howe, community affairs manager at Legal & General, a large insurance group which supports 15 agencies. "We now have that coverage but it is of patchy quality."

To overcome this problem BIC is drawing up guidelines to measure performance and increasing the numbers of training programmes for enterprise agency directors and their staffs.

One result of the early rapid growth in the numbers of agencies was that in some areas two or more agencies were set up which competed both for clients and funds.

"There are often several organisations doing the same things in the same area without talking to each other," says Legal & General's Maureen Howe. "They frequently see each other almost as competitors."

Hartlepool, for example, on Teesside, has two enterprise agencies as well as a host of other local support organisations.

Alan Humble, director of Hartlepool Enterprise Agency, concedes there is some overlap between the work of his four-strong team and that of Hartlepool New Development Support (also a registered enterprise agency).

But if a proliferation of agencies is justified in economically battered towns such as Hartlepool there are areas where this duplication does not make sense. Several agencies can be expected to merge over the next few years while many more will start to share resources.

The agencies are already well aware that pressure on them to rationalise their operations can be expected to increase over the next few years — from the companies which sponsor them, from financially-strapped local authorities and from the Government.

Grayson estimates that the agencies' £30m annual budget is provided in equal measure by the public and private sectors. A small amount of public money comes directly from the Government but the rest comes from local authorities, from the European Social Fund and from the MSC.

The private sector contribution comes from about 3,500 companies which support either a local agency or BIC directly.

So far, Grayson claims, BIC has had no problem in raising funds from industry and commerce but pressures on corporate budgets are increasing. New sponsors are increasingly reluctant to put funds into a general pool. They want to be able to say they have backed a particular project.

"Sponsors are getting more professional," says Howe. "They look at the value they are getting for their funding and at the projects that are being put forward."

Henry Durowse, manager of Shell UK's enterprise unit, believes the agencies should stop simply responding to local demand for assistance and become more innovative in their approach.

And while local companies should continue to back the agencies in their core role of providing small business counselling the larger companies should develop more imaginative ways of using the agencies.

Shell, which has developed a number of programmes to encourage enterprise and help young people into self-employment, uses the agencies to build up local contacts for one of its schemes to back graduate enterprise.

The agencies are keen to see the nationwide network which has been set up used to deliver more of the government schemes to boost enterprise. John Cope, small firms minister at the Department of Employment, wants to create closer links with his own Small Firms Service, which has just 13 offices around the country.

But direct government funding is tapering off in line with the Department of Employment's aim of allowing the agencies to become a free-standing, private sector-led network. Meanwhile, the Trade and Industry Department, which now spearheads the Government's small firms programmes, has shown little interest in using the agencies.

A number of directors of the larger, more sophisticated agencies are angry that Lord Young, Industry Secretary, is setting up its own network of offices to handle his recently announced Enterprise Initiative, completely ignoring the agencies.

The agency directors feel they are well placed to do the initial vetting of applicants for funds available under the initiative, which provides subsidised management consultancy to smaller firms.

But even if the agencies win more government contracts and devise more schemes attractive to their private sponsors their problems will not be over. They are still left with the problem of funding their basic task of counselling the small entrepreneur.

Finding a new role without sacrificing their traditional aims is the dilemma they have still to solve.

Tony Andrews

John Carpenter of the Milton Keynes Business Venture: devoting his energies to solving his own agency's problems

Budget submissions

A particularly taxing issue

Charles Batchelor reports on what is preoccupying the lobbyists

THE RUN-UP to budget day is usually a time of hectic lobbying for Britain's business organisations. But one of the main small business lobby groups has not put a detailed list of requests to the Chancellor this year on the grounds that its previous submissions have had little impact.

"Every year we have put a great deal of effort into this for nil return," claims Stan Mendham, the pugnacious chief executive of the Forum of Private Business, which has 12,500 members. "We have to make the best use of our resources and decided there was no point in putting six weeks' work into it."

Although Mr Lawson was spared a lengthy document from the Forum, he was sent a two-page letter asking for a reduction in the total tax and rates burden, which Mendham says is higher for small than for large businesses, and for measures to reduce interest rates.

Mendham believes other small firms groups are beginning to share his disillusionment with the lobbying process. But if that is the case there is little evidence from the detailed submissions they have sent in again this year.

In his 1987 Budget the Chancellor tinkered with a number of technical details which pleased the small business lobby but there was no repeat of the bumper year of 1981 which saw the introduction of the Business Start-up Scheme (since renamed the Business Expansion Scheme) and the Loan Guarantee Scheme.

Despite the meagre rewards for their lobbying efforts in recent years most of the small firms organisations retain their perennial optimism.

The main objects of their desire are reductions in taxes — corporation, capital and inheritance — and improvements to the terms of the Loan Guarantee Scheme and the BES. Most of these demands have appeared in similar form in recent years — which would suggest that the small firms groups hope to make up by persistence what they have failed to win before by their powers of persuasion.

Inheritance tax comes into this category, but the Association of Independent Businesses is putting its case for change with particular force. The association, which has 5,000 members, argues that rates of tax rise far too steeply while giving away one's assets at least seven years before death is not always realistic.

The result is that passing on a business to the next generation is either difficult or impossible, it says. Inheritance tax also features in the submission of the Small Business Bureau, the Conservative Party's own lobby group, which wants it abolished on transfers of unquoted shares.

The Bureau also makes a call for the abolition of capital gains tax on investments in unquoted companies to compensate for the higher level of risk involved. A straightforward plea for the abolition of CGT comes from the National Federation of Self Employed and Small Businesses, which, with nearly 50,000 members, is the largest small firms group.

Distaste

The federation proposes as an alternative a Speculative Gains Tax applying to gains made within a year. A distaste for the current system of CGT is shared by the Association of Independent Businesses and the Union of Independent Companies, which has 200 members, mainly large private manufacturing companies.

Corporation tax comes under fire from the Small Business Bureau, which points out the erosion of the differential between the 27 per cent rate applied to small business and the 35 per cent levied on larger companies. An immediate entry at 27 per cent is too high and should be replaced by a graduated rate of corporation tax with two intermediate rates, it says.

Turning to the Loan Guarantee Scheme, which allows banks to make slightly riskier loans under cover of a government guarantee, several lobby groups ask for the £75,000 limit, in force since the scheme was introduced, to be raised.

The Union of Independent Companies wants the ceiling raised to £250,000 for companies which have been in existence for two years or more. Younger businesses would still be limited to £75,000. The Small Business Bureau also wants an increase and asks for enterprise agencies and venture capital companies to be allowed to join the banks as authorised lenders.

The Association of Independent Businesses makes a plea for a doubling of the size of permitted loans to £150,000 and asks for the 2.5 per cent premium currently charged to the borrower to be cut to a nominal 1 per cent. Even if the Chancellor decides against making any budget changes the scheme is currently under review by the Department of Employment, which could decide on modifications.

Once again the BES attracts a number of proposals. The British Venture Capital Association calls for an extension to entrepreneurs of BES tax privileges currently enjoyed by investors. Any subsequent sale of shares by the entrepreneur should also be free of CGT. Both reliefs would be limited to £100,000.

The venture capitalists also call for the present limit on share option schemes to be eased. Key employees should be allowed options on shares worth up to six times their salary, instead of four times, though the £100,000 limit should be retained, they say.

The Small Business Bureau asks for BES tax reliefs to be limited to £250,000 for any investment in order to spread the available money over a larger number of small companies.

For all its limitations the BES has channelled fairly large sums into smaller companies. Co-operatives, which have been a focus of increased interest in recent years, face more fundamental problems of raising money, according to the Industrial Common Ownership Movement.

It suggests several ways to make it easier for co-ops to use a share capital structure, including tax relief on payments into reserves and BES-style relief for people who invest in co-ops.

A recent attempt was made by the small firms lobby groups to agree a joint approach to the Chancellor. After lengthy discussions, though, a rather bland document was produced so the idea was dropped.

Business Opportunities

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Business Opportunities

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Business Services

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Businesses For Sale

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London Symphony/Barbican Hall

David Murray

With Gennadi Rozhdestvensky suddenly indisposed, Mark Ermler – the Royal Opera's current guest for *Eugene Onegin* – was a Bolshoi-sent saviour for Sunday's LSO concert with its all-Russian programme. And evidently Ermler had benefitted either from Rozhdestvensky's rehearsals, or quite possibly from Rozhdestvensky's not having done any (it would be interesting to know which): for without forewarning nobody would have guessed from the keen performances that a last-minute substitute was in charge. It spoke very well for the confident clarity of Ermler's podium style.

The continuous thrust he ensured both in Mussorgsky's *Night on the Bare Mountain* and the Second Symphony of Rakhmaninov was impressive. Special subtleties were not conspicuous, but these were clean, thoroughly expert readings, and Ermler drew more passion from the LSO strings than he got from the Royal Opera band on the first night of *Onegin*. Without any blatant roar contrasts were high and strong, tempi crisp, first-desk solos generously respected. Minor faults of balance – the excellent LSO timpanist somewhat over-encouraged, the busy strings sometimes shaded by the brass – did no real harm. Most conductors need much longer to discover how to make the Barbican work.

Augustin Dumay was the soloist in Chaikovsky's violin concerto. I think him one of the most remarkable younger violinists to be heard anywhere (all too rarely in London, as it happens), and granted something less than his usual impeccable pitch among the ledger lines he created a fair sensation. His combination of big, cultivated tone with sizzling bow-attack is exciting, but no more so than his sharp musical imagination. I wasn't quite convinced that Dumay actually *likes* the Chaikovsky, though he treated it to plenty of professional intensity and ripe, unabashed *portamenti*; other repertoire sets off his best virtues better.

(Rozhdestvensky should be well enough to conduct the BBC SO at the Festival Hall tonight.)

Thomas Hampson/Wigmore Hall

Richard Fairman

The stream of glowing reports in foreign magazines about Thomas Hampson's European opera performances has recently turned into a flood, and this recital on Saturday night was a most eagerly-awaited event. The word had clearly got around: the house was almost full, though that is perhaps not surprising, given that the young American has yet to make his opera debut over here and this was the only chance to catch him for a year.

In voice, as in physical stature, Hampson is built on a generous American scale. The tone pours out with a healthy and sunny, open-air freedom. A few distorted vowels in his singing of Haydn's English Canzonettas apart, there was almost no sign of the mechanics that go into producing the sound, for this is a natural instrument par excellence – the sort of voice his American colleague Sherrill Milnes must have had in his early singing days.

As an artist, though, Hampson is already showing a greater sensitivity to musical styles. This recital programme, given in exemplary German and very creditable French, was never over-bold or brash; and if the singing was occasionally too loud, that was probably because the baritone was unaware of how a voice can carry in the Wigmore Hall's helpful acoustics. At the piano, Geoffrey Parsons was also encouraging him one notch of volume too high.

A general air of cultural awareness informed the whole evening, not only in the singer's linguistic abilities, but also in the way he puts together his recital programmes with an obvious interest in looking out unusual songs or parallel settings by different composers. A Meyerbeer group was a special novelty: the songs do not have much lyrical appeal, but Hampson made the best of them – the long "Le poète mourant" – genuinely involving.

An unusual collection of "Des Knaben Wunderhorn" settings (Brahms, Strauss, Schönberg and a few of the lesser-known Mahler) was no less fine. From the obvious force of his Schönberg to the honeyed tenderness that he brought to Mahler's "Zu Strassburg auf dem Schanz," Hampson impresses with the range of what he can do. The will is there to search for the heart of the music, as well as the equipment to deliver it.

Bournemouth Symphony

Paul Driver

The Bournemouth Symphony Orchestra showed itself off under its Principal Conductor elect, Andrew Litton (he will take over from Rudolf Barshai as from next season), at the Royal Festival Hall on Friday. They began with Berlioz's overture *Roman Carnival* and immediately made a favourable impression. There was a satisfying overall firmness of tone and tightness of ensemble, and much, additionally, in the way of fragrant curlicues of sound and crisp little articulations of rhythm. The music was driven, but not over-driven, and its dramatic surprises were all the more effective for the amplitude of the context in which they occurred.

Nielsen's not often played Violin Concerto Op. 33 (written after the Third Symphony in 1911) followed: the soloist was Cho-Liang Lin (like the conductor, a graduate of the Juilliard School), whose technical accomplishment was breath-taking and only just on this side, perhaps, of robotic. His tone is as fulsome and silvery-gold as any violinist's I have heard in a long time, though there was a touch of preciosity about the way it was used. It seems a little indecent to complain, however, about a performance which superbly presented a stream of unfamiliar, attractive and fascinatingly-argued music. Litton, altogether an eloquent and effectual conductor, ensured some lovely mixtures of solo and *tutti* timbre, and the accompaniment was a model of well-drilled sensitivity.

Rakhmaninov's *Symphonic Dances* came over graphically strong, full of pounding energy and exacerbated nostalgia. The saxophone solo in the middle of the first movement was beautifully rendered. The second ("a slowly gyrating succession of waltz melodies" as the programme-note aptly put it) was stylishly and hauntedly Viennese and, if much of the time *most* delicately intoned, by the end turbulently symbolic enough to deserve its place beside those other impassioned memorials to a doomed culture, Sibelius's *Valse Triste* and Ravel's *La Valse*.

Phoenicians in Venice

I Fenici, that is to say *The Phoenicians*, is the latest in the series of major exhibitions that the FIAT Corporation has brought to Venice over the last few years through its restoration and sponsorship of the Palazzo Grassi. Thus far the programme has swung between modern, and historical or archaeological subjects. This show, which has attracted further sponsorship from the Accademia dei Lincei, is to run until November 6.

But who were the Phoenicians, where and when did they flourish, and what did they leave behind? The questions come as thick as ever, founded upon dim schoolroom memories of Tyre and Carthage, of Queen Dido and Hannibal and ancient trade in tin with Cornwall. The sense is of a people forever on the periphery of one's historical vision, never quite in focus, always marginal to the affairs of greater nations.

It is therefore not all that surprising to learn that this exhibition is the first attempt ever made at a definitive public study of the Phoenicians and their world. The hefty catalogue gives us in one volume the substantive and speculative scholarship in the field as it now stands. Sabatino Moscati, under whose general direction the show has been put together, is a leading scholar in the archaeology of the ancient Mediterranean world and he gives the impression of presenting as much of the material as there is to present. The proper study of the Phoenicians is a very recent growth.

Miss Gae Aulenti, the exhibition's designer, has provided a theatrical installation that diverts both eye and mind, to one's delight or irritation according to taste. Model galleys ply their stationary way across a large tank; a huge plaster wave looms in the background; tablets, graves and memorials sit in piles of sand. The primary material could as well have been shown in half the space, but such a show would have required much deeper concentration: this show is aimed at the child and the general viewer as well as the scholar; and by far the greater portion of these fascinating and often ravishingly beautiful artefacts, gold, silver and ceramic, stone, wood and ivory, large and small, is effectively displayed.

Though their origins lie in a remoter past and rather further to the east, the Phoenicians emerge as an historically recognisable society at about 1200 BC, in what we now know as the Lebanon. Their story runs on through the whole of the pre-Christian millenium, as they spread westward through the whole of the Mediterranean basin. The extent of that diaspora is remarkable, and at every point we find evidence of cultural sophistication that may be interpreted either way, as influence given or received. Here we find Mesopotamian influences, there Egyptian, Cyladic, Assyrian, Greek, Roman and Hellenistic. Such cultural variety is unsurprising in a trading and far-travelled people, as is the general level of technical sophistication; but rather more odd is the sense throughout of a culture unspecific and unresolved.

Surely the Phoenicians must have contributed something more particular and substantial of their own, yet from what we see here, while being distinctive, their contribution seems lightweight, more personal than public, more decorative and charming than forceful and essentially impressive. But could it have remained so over more than 1000 years in so vast an area, in the great cities and settlements from the Atlantic coast of Africa to the Phoenician homeland itself? Surely there must be something more to their art, architecture and literature than just jewellery and pots?

William Packer

Crouching lion, from Byblos; made of basalt, it is dated 6th – 4th century BC

The Berlioz Experience/South Bank

Andrew Clements

There is a gap of only six years between the composition of Beethoven's Ninth Symphony and that of Berlioz's *Symphonie fantastique*: between incipient symphonic romanticism that is, and the flowering of the real thing. "The Beethoven Experience" mounted a year ago on the South Bank by Roger Norrington and the London Classical Players concentrated upon an historically accurate performance of the Ninth, and so a similar project built around Berlioz was its natural successor. "The Berlioz Experience" packed the Elizabeth Hall and Purcell Room from Friday evening to Sunday afternoon: a meaty programme of recitals, lectures and an open rehearsal, anchored by the orchestral concerts that opened and closed proceedings, and which included performances of the *Symphonie fantastique* and the dramatic symphony *Roméo et Juliette*.

As Norrington acknowledged in his introduction, attempting such an exploration of early romantic music took the whole movement of orchestral authenticity into uncharted waters. Beethoven, Schubert and Weber had previously marked the boundaries of the repertory colonised by authenticity; Berlioz, in his expressive and instrumental demands, creates a whole new set of problems for conductors seeking a faithful reconstruction of the early performances. The achievement of this enterprise was its ability to overcome those problems with triumphant and often startling results.

Roméo et Juliette was the weekend's focus, and most of the ancillary events were designed to illuminate the composition of that work and Berlioz's involvement with Shakespeare in general. But the historical background was laid out in the first half of the opening concert: Berlioz's own musical forebears – Gluck, Beethoven, Spontini and Weber – were outlined, and at the same time the standard and vividness of the performances to be expected throughout the Experience was established. The beginning of Gluck's *Iphigénie en Tauride* was delivered by Eiddwen Harrhy and the Schütz Choir with stinging intensity, Beethoven's *Coriolan* and Weber's *Oberon* overtures demonstrated the taut fitness to which the London Classical Players had been trained for the occasion and an excerpt from the second act of Spontini's *La Vestale* – Miss Harrhy again in fine declamatory form – provided the first musical revelations: the virtuoso brass writing in particular offers a direct entrée into the world of the *Symphonie fantastique* that followed.

Until Norrington's performance it has been quite impossible for contemporary audiences to visualise the sound world with which Berlioz was conjuring; even the most imaginative listener would be hard pressed to extrapolate from the sound of, say, "authentic" Beethoven to what the "Marche au supplice" would sound like with a pair of ophicleides restored in place of the conventional tubas (and, of course, matched with thin, reedy 19th-century trombones rather than their wide-bore modern equivalents) or the opening of the "Scène aux champs" with a duet between pre-Boehm English horn and oboe. The net result of the historical fidelity was, as expected, to restore edge expressive bite to the playing, and to increase the prominence of the wind at the expense of the softer-grained gut strings.

The opening-up of textures was, however, impossible to predict, and the hierarchy of details throughout the symphony was entirely reordered: the entry of the trombones in the first-movement recapitulation, the chording of the four harps in the coda of "Un Bal," the rapid turnover of images in the finale – all took on added, almost surreal force. Norrington's approach to the score, never portentous or self-consciously rhetorical, but fleet, lucid and incisively dramatic, was able to make its points without effort; as he demonstrated many times over, the thinned-down sonorities and cleaner articulation of these instruments allowed a conductor to make his points with far greater precision and effectiveness.

The cumulative impact of the *Symphonie* – urgent and purgative – was sustained and in many ways intensified in the account of *Roméo et Juliette*. A great deal of research effort had been put into adjusting this performance to the parameters of the premiere in 1839 – the harps placed in front of the main body of the orchestra, the off-stage male voices in the love scene antiphonally opposed, even the choruses for the finale given coloured favours – red for Capulets, blue for Montagues. Every detail, however, had a musical point: the effect of such close attention to every aspect of the performance was to compel concentration at the minutest level; when literally every phrase could contain a fresh revelation, a revoicing of a supposedly familiar texture, or the emergence of quite unexpected expressive detail, one listened with redoubled intensity.

The playing of the orchestra was in itself a constant source of delighted amazement. Even five years ago it would have been unthinkable to have assembled an orchestra of some 80 musicians to play on early 19th-century instruments, and to have obtained results of such utter assurance and impact. But the London Classical Players *had* been meticulously drilled, and coped with all the demands with brilliant virtuosity. Norrington kept the performance moving forward with undiminished fervour; his singers – Sarah Walker intensely moving in the first part, Neil Jenkins tremendously agile in "Mab, la messagère" (and supported here by instrumental playing of extreme delicacy and precision, further highlighted in the Mab scherzo proper), David Wilson-Johnson bringing power and dramatic force to Friar Laurence's perorations – supported him at every turn, while the Schütz Choir, as semichorus and full choir, were models of clear diction.

Few concerts in my experience have genuinely deserved the description of revelatory. Those in the Berlioz Experience do, not just because Norrington has provided a historical insight into the performing practices surrounding the composition of two of the most singular works in the 19th-century symphonic repertoire, but because his performance in themselves have set new standards of insight and understanding. The case for authentic Mozart seems to me already proven beyond reasonable doubt, that for Beethoven well advanced; now how long will it be before the *Symphonie fantastique* begins to seem altogether too glossy and opaque with modern strings and wind?

Temba/Young Vic

Claire Armitstead

The black company Temba continue their residency at the Young Vic with two shows as different stylistically and in intention as could reasonably be ranged behind the banner of black politics. Their South African guests, from Durban's Upstairs Theatre, have commandeered the main house with a singing, stomping blow for township theatre – a tradition which has its origins in black folk culture, which has grown up among South Africa's black communities and become militant with them.

Saira Essa's *You Can't stop the Revolution* is for those who like their revolutions red in tooth and claw: choreography of oppression and insurrection is backed by a relentless stream of photographic evidence of coffinlike bunks in resettlement camps, of burnings, sackings and killings. It could not, of course, be more topical, and some of the accounts given by victims of Apartheid are quite horrifying. But the horror is not really a theatrical construct: this is a call to the barricades, which would quite understandably be more at home in the South African marketplace than a politely receptive English theatre.

Temba partner the show with *Black Sheep*, the first play by Derrick Cameron to be professionally produced, which examines the thorny issue of black participation in British politics through a vehicle that styles itself a modern day Cain and Abel story. Patrick, prosperous, politically ambitious and married to a white, brings his wife back to the house his father has left him, in the hope that she will agree to take it over. His plans, however, are thwarted by the presence of his prodigal younger brother, who was disinherited four years earlier and has since devoted himself to undermining the system from the outside, organising riots while Patrick decides whether or not to make black sections a condition of his Labour Party nomination.

Cameron is not such a subtle observer of human character as to make the situation credible, nor such an astute political commentator as to represent the arguments convincingly. For a start he plays with loaded dice. Junior A. Walker, who as the rebel Harlan gives an attractively cheeky performance, is hinbered with the language of an Essex University politics graduate (Harlan is, in fact, a Cambridge maths drop-out; and would surely have thrown the jargon over with the degree), while Catherine (Anna Savva) creaks under the weight of white, left-of-centre worthiness. Trevor Gordon does his best with Patrick, who is damned almost from the start by his moral and intellectual flabbiness in a production (director Heather Goodman) that labours under a studied naturalism.

The issues raised in the play are undoubtedly important but compared with the dynamism and originality of *Black Love Songs*, the American double bill with which Temba kicked off their residency, this is a very pedestrian affair.

"Turner's Architecture" at the Clore gallery

The Watercolour Room at the Clore Gallery will house the exhibition *Turner and Architecture*, sponsored by chartered surveyors Drivers Jonas, from March 28 to July 10.

It will examine several building projects completed by Turner, including his own picture gallery and a villa for himself at Twickenham.

The Cherry Orchard/Crucible, Sheffield

Michael Coveney

Each visit to the Sheffield Crucible confirms the quality of the ensemble operation under the direction of Clare Venables. I have sometimes felt that "Europeanism" is too strenuously pursued. But with her co-director Steven Pimlott, Miss Venables is doing something of immense significance in the British theatre.

She is challenging the visual traditionalism that characterises, for instance, Alan Ayckbourn's revival of *'Tis Pity She's A Whore* at the National Theatre. It is high time somebody did, apart from Philip Prowse at the Glasgow Citizens.

The Cherry Orchard remains an imperishable test of any company's aesthetic priorities. Simon Vincenza's distempered white walls and scrubbed floorboards, books and broken toys scattered with insolent abandon across this nursery tundra, is the visual soul-mate of the famous all-white productions of Strehler and Serban, as well as the uncluttered austerity of Richard Eyre's television film.

Vincenza takes to this exciting thrust stage like a duck to water. His background in Impact Theatre and DV8, and a memorable contribution to *The Sleep*, a minimalist rock-a-bye homage to Catatonia (the joke was Blake Morrison's), mark him out as an important new graduate from the post-political fringe to the big arenas.

Note what happens here in the entr'actes. An army of sweeping servants banish the nursery, and two iron bed frames, to the downstage wells. An interior wall with four entrances divides and disappears. When the family finally packs up to leave, little pastel-coloured stencilled trees, hardly noticed before, are painted over with a white brush. The deep chairs, all white, are manoeuvred into a crocodile formation at brusque right-angles to the front stage. The characters sink into them, and silence, as if already on the train.

I do not mean to belittle the contribution of the actors in this descriptive litany. The acting in Chekhov is always the more effective when seen in imaginative "senssurround." And the domestic orders are particularly well done here. Liz Stooke's Dunyasha is a beautiful study in importunate flirtation, playing footsy with John Ramm's silkily inconsiderate Yasha on the garden bench. And Linda Dobell's drudge-like Varya is a sobbing sister of keys and care, drenched in disappointment, but not self-pity, like Niobe, "all tears."

Anna Carteret conveys forcefully the sense of a woman returning home after five years and a broken affair in Paris. Her Ranevskaya, slim, vital, elegantly coiffed in a silver wig and cling-wrapped in a mauve dress, is a volatile creation of laughing eyes and gulping emotion. She pairs well with her brother Gayev, whom Christopher Good, a notable stalwart of the Venables team, invests with a sort of galloping histrionic despair.

Like so many Gayevs, though, I am not convinced of his familiarity with life on the green baize. Those muttered, self-protecting snooker re-runs should be less demonstrative, more instinctive. At the moment they ring false in this hallowed temple of the game, home of the Snooker World Championship.

Martin Duncan's cadging landowner is palpably too tall and thin, I find Rachel Joyce's Anya and Simon Roberts's Trofimov entirely colourless. We have neither runaway passion nor political fervour. Strong support, though, from Rosalind Knight as a hatchet-faced Charlotta with a hideous little black dog, and from Steven Beard as the disaster-prone clerk whose right shoe mysteriously stops squeaking after the first scene. Shoes like that squeak for ever.

There is a superbly bullish Lopakhin from David Ross, whose useless arms of the last act are incorporated into a perpetual motion of butterfly dives, shrugging shoulders, shooting cuffs and twiddling thumbs. His energy resides in his restlessness, and his triumphant cry, after buying the estate, "We'll fill the place with cottages" has a thrilling nastiness.

Patrick Godfrey delivers the usual sort of bent, sepulchral Firs. I think this character needs the cuts of the second act so tellingly restored by Mike Alfreds at the National. So, for that matter, does Charlotta. Sheffield uses Ronald Hingley's dependable translation, less racey than Trevor Griffiths's, less elegant than Michael Frayn's.

Arts Guide

March 4-10

Opera

LONDON

Royal Opera (Covent Garden). Mirella Freni sings her first London Tatyana in the Eugene Onegin revival, Jean Rigby, and Nicolai Ghiaurov, conducted by Mark Ermler. Margaret Price returns to the Royal Opera in the revival of Un ballo in Maschera: the cast also includes Giacomo Aragall, Alexandru Agache and the great Russian mezzo, Irina Arkhipova. 240 1066)

English National Opera (Coliseum). Ian Judge's production of Cavalleria Rusticana and Pagliacci, lively, inventive, over-detailed, returns with a cast including Jane Eaglen, Arthur Davies, Angela Feeney, Alan Woodrow, and Jacek Strauch. In the first ENO production of Britten's Billy Budd the cast is led by Thomas Allen in the title role, Philip Langridge (Vere) and Richard Van Allan (Claggart); David Atherton is conductor and Tim Albery producer. (836 3161)

PARIS

Tokyo Ballet and Bejart (Palais des Congrès). A reconciliation of traditional Kabuki dance and a more contemporary approach. (47581404).

NEW YORK

Merce Cunningham Dance Company (Joyce). Two major premieres are included in the four programmes during the month-long schedule of twelve works. Ends March 27. (242 0800).

Metropolitan Opera (Lincoln Center Opera House). James Levine conducts Così Fan Tutte with Kiri Te Kanawa, Susan Quittmeyer, Hei-Kyung Hong and David Rendall in Graziella Sciutti's staging. James Conlon conducts August Everding's production of Khovanshchina with Elizabeth Knighton, Stefania Toczyska and Timothy Noble. James Levine conducts Otto Schenk's new production of Siegfried with Hildegard Behrens Gwendolyn Bradley, Peter Hofmann and Donald McIntyre. (362 6000).

WASHINGTON

Washington Opera (Kennedy Center Opera House). Frederica von Stade in the title role in Cendrillon conducted by Mario Bernardi joins Beethoven's only opera Fidelio. It is conducted by Gerard Schwarz, produced by Michael Hampe's and features Laila Andersson-Palme as Leonore, Herbert Eckhoff as Don Fernando and Marcus Haddock as Jaquino. (254 3770)

WEST GERMANY

Berlin, Deutsche Oper. Der Liebestrank has star tenor Luciano Pavarotti in the title role. Madame Butterfly is respectable with Yoko Nomura, Giorgio Merighi and Andreas Schmidt. Oedipus will be conducted by Christof Prick. Manon Lescaut brings Raina Kabaivanska, William Murray and Giorgio Merighi together. Die Verkaufte Braut completes the week.

Hamburg, Staatsoper. Der Fliegende Hollander stars Carmen Reppel, Siegmund Nimsgern, Heinz Kruse and Harald Stamm. Don Giovanni in Marco Arturo Marelli's production is revived with Samuel Ramey, Linda Plech, Arita Mattila and Kurt Streit. Also in the repertory, Zar and Zimmermann.

Cologne, Opera. Aida has fine interpretations by Bruna Baglioni, Wasilio Jamilako, Ulrich Hielscher and Awilda Verdejo. Wozzek has Walter Berry, Nadine Secunde. Don Pasquale features Reinhard Dorn, Janico Hall and Ludwig Baumann.

Frankfurt, Opera. Don Giovanni has William Shimell in the title role, for the first time. Così Fan Tutte, conducted by Gary Bertini has Margaret Marshall, Diana Montague and David Kuebler. This week's highlight is Otello with star tenor Rene Kollo.

Stuttgart, Württembergisches Staatstheater: Fidelio with Marianne Hirst, Wolfgang Probst and Toni Kramer. Madame Butterfly has Awilda Verdejo, and Michael Austin as leads. Otello has a strong cast led by Gabriele Benackova-Cap, Vladimir Atlantow and Bernd Weikl.

ITALY

Milan: Teatro Alla Scala. Francesco Cilea's Adriana Lecouvreur in Lamberto Puggelli's production conducted by Giuseppe Patane. The cast includes Jose Carreras (alternating with Alberto Cupido), Monserrat Caballe (alternating with Adriana Morelli), Juan Pons (Angelo Romero) and Fiorenza Cossotto (Vera Baniewicz).

NETHERLANDS

Amsterdam, Muziktheater. The Netherlands Opera in Salomé by Richard Strauss, directed by Harry Kupfer. Hartmut Haenchen conducting the Rotterdam Philharmonic, with Eva Maria Bundschuh in the title role, Gunter Neumann (Herod), Helga Dernesch (Herodias), and John Brocheler as Jakanaan (Mon, Thur). The Nederlands Dans Theater with Tabula Rosa (Part/Naharin), Frankenstein (Gruber/Kylian), and Symphony of Psalms (Stravinsky/Kylian) (Wed). (255 455).

Eindhoven, Schouwburg. The Tanz-Forum of the Cologne Opera in Delibes' Coppelia, with the Sudwestfalische Philharmonie under Rainer Koch (Thur). (11 11 22).

Groningen, Schouwburg. The Junge Oper Wien with Mozart's Die Zauberflote conducted by Wolfgang Gabriel and directed by Hanns Zimmerl (Tue). The Reflex Dance Company with Palace Variations and three new pas-de-deux (Wed, Thur). (12 56 45).

Saleroom/Antony Thorncroft

Tea returns to Japan

There is nothing an auction house likes more than a crush of new buyers, especially if they are Japanese. So Christie's was happy yesterday with the new faces at its Japanese works of art sale. They were mainly interested in a collection of seventy five lots, built up by a European collector, of utensils used during the Japanese tea ceremony.

Fuji Shiro, from Japan, paid the top price in the morning session of £28,600 for a chawan, or tea bowl, made by Oribe in the Momayama period of the late 16th century. Oribe is one of the "Seven Sages of Tea" and was the Chief Tea Master of his time.

He developed the austere Rikyu style that he inherited into a more flamboyant fashion, and his curiously shaped tea bowls and water jars were considered eccentric. Oribe became involved in a treasonable plot against his leader and was "granted death" in 1615. This chawan, with slight damage, doubled its top estimate.

All told the tea utensils totalled £76,835, with the most expensive items returning to Japan. Suita paid £4,950 for an early Edo period jar while a 19th century tea caddy went to Teresaki for £3,300, five times its estimate. Prices for the modest bowls, caddies, fresh water jars, incense boxes and burners, and flower vases used in the ceremony were usually way above forecast.

Elsewhere in the auction Sanwa, the Osaka dealer, acquired an octagonal Imari jar and cover, 92 cm high, of the Genroku period, for £15,400 while an American collector bought a Kakiemon decagonal dish decorated with a ho-o bird perched in a plum tree for £12,100 (double its estimate).

A pair of large Fukagawa blue and white uniform vases with domed covers, 102 cm high and dating to the late 19th century, sold for £8,250, and the same buyer paid £7,150 for an Arita blue and white oviform vase and cover. The afternoon session produced few excitements, and a top price among the prints of £5,500 for an actor print of 1795 by Shun'ei.

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Tuesday March 8 1988

Exchange rate uncertainty

"NO, 'TIS not so deep as a well, nor so wide as a church door; but 'tis enough, 'twill serve." So answered Mercutio when asked about his state of health, after receiving a mortal wound. Does Mr Nigel Lawson need to reply in the same vein when asked about the state of his monetary and exchange rate policy after yesterday's rise in the sterling rate of exchange above DM3?

Not surprisingly, the Treasury and the Bank of England state that policy has not changed. Formally, they are quite correct, the reason being that the Government has committed itself not so much to a policy as to good intentions about stable non-inflationary growth.

Unwillingness

There is a difference of emphasis between the Prime Minister and the Chancellor of the Exchequer on how to deliver on these broad intentions. The former has emphasised her unwillingness to surrender monetary sovereignty to the Bundesbank. The latter remarked to the Treasury and Civil Service Committee on December 9 1987 that "keeping the pound in line with the Deutsche Mark is likely to be, over the medium term, a pretty good anti-inflationary discipline."

Given the failure to join the exchange rate mechanism (ERM) of the European Monetary System (EMS), those remarks leave no indication of the range within which the exchange rate would be allowed to move. This uncertainty was being diminished in the only way it could be, by experience. The Chancellor indicated his desire to see no further falls in sterling when the rate was DM2.79. Since official reserves have increased by some $20bn, in large measure to keep sterling below DM3, it was reasonable to conclude that the policy was to keep sterling between DM2.80 and DM3.00.

It may have been reasonable, but it turns out to have been incorrect. Does this matter?

The principal justification for the exchange rate link was that the exchange rate would provide a nominal anchor for the economy after the breakdown of monetary targetry. Businessmen would get the stability they had constantly demanded, while the punishment for inflationary wage bargaining would be obvious.

The justification is a good one, but the policy is difficult to operate, especially when the credibility of the link is undermined by the failure to take full membership of the EMS. The influence on wage bargaining has been negligible, while financial markets have been persuaded of the reality of the policy. The discrepancy is largely explained by the differences in time horizons. Whenever the Government acts to confirm the D-Mark floor by raising interest rates, as at the beginning of February, short term capital flows into the UK to take advantage of high UK yields.

If the Government had wished to confirm what had come to be seen as its policy, it should have reacted to the upward pressure on sterling by purchasing foreign exchange until, convinced of the permanence of the inflow, it finally cut interest rates. In cutting rates it would have been bowing to the logic of its own policy. If the exchange rate link with the D-Mark is credible, interest rates, at least relatively short term ones, cannot get too far out of line with German levels.

Ambiguities

If the UK had been a member of the ERM, the present appreciation need have caused no great damage. A change of parity could have been announced, while still preserving an exchange rate target. Indeed, an upward shift in the exchange rate could have been seen as reconfirming counter-inflationary zeal. In the absence of full EMS membership, interpretation is different. With the ceiling changed in response to foreseeable forces, the exchange rate must now been seen as one of a number of indicators used to guide the economy in aiming at an acceptable trade-off between inflation and economic growth. This used to be called fine-tuning.

The Chancellor's policy may not have received a mortal wound, but if so it is because many were mistaken about what it was. He will need to re-establish some nominal framework in his Budget speech. If current ambiguities are not resolved, the Government is likely to discover, like other fine-tuners before it, that it will have more inflation in the medium term and more unemployment in the long term.

Flawed plan for inner cities

THE BRITISH Government's announcement of a new programme for the inner cities is strong on presentation, but weak on new ideas or new money. The Prime Minister, Mrs Margaret Thatcher, was flanked by no fewer than six of her ministers when she announced yesterday that, "in partnership with the people and the private sector," her Government was embarked on "a great enterprise which will leave its mark on Britain for decades and carry our towns and cities into the 21st century in much better shape." This statement was backed up by an assortment of press releases and a glossy full-colour brochure, entitled Action for Cities. On inspection, this turns out to be one of those cases in which the fatness of the prospectus is in inverse proportion to its contents.

Red tape

Individual items in the collation do have value. The Merseyside Development Corporation will have its area doubled and a new urban development corporation will be established in Sheffield. These non-elected authorities can cut through red tape to promote development. The first, in London's docklands, has been operating since 1981 with some success. Again, the five "city action teams" set up three years ago to co-ordinate at a local level the work of central government departments will be joined by two more. They might be useful. Two varieties of grant to stimulate private sector developments will be replaced by a "new simplified" single grant. It could help. Local anti-crime drives will be given co-ordinators, at a cost of £2.3m in the first year.

There are other items. Some money will be found for "compacts", in which groups of employers work with schools to guarantee a job with training to every school-leaver who meets certain standards. This is a promising idea which has been developed in London with the help of the Inner London Education Authority (an effort not mentioned by the Government yesterday as the ILEA is in political disfavour and due for abolition).

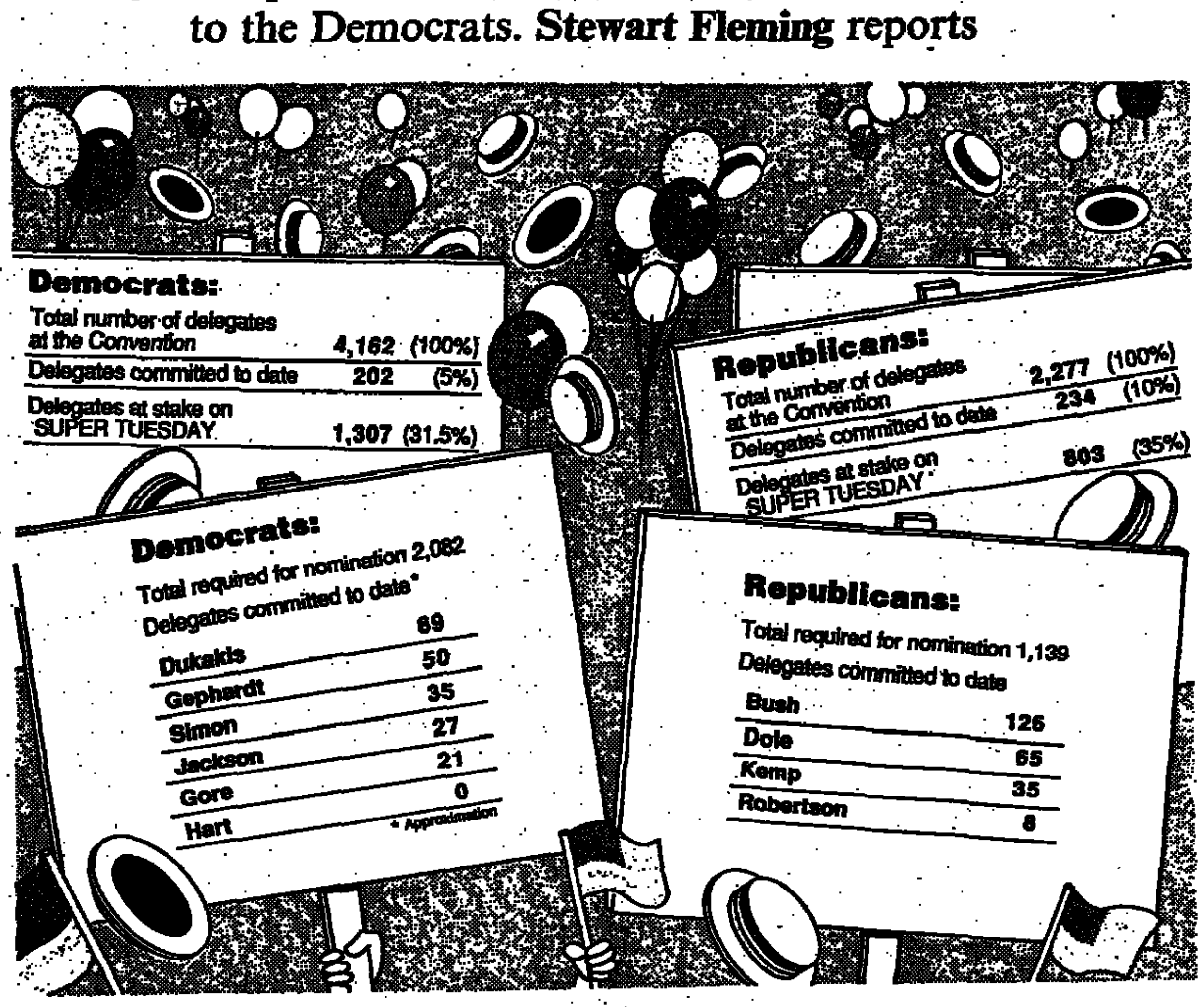
Assistance to small businesses will be increased. Two new roads, which it must be assumed the Department of Transport would have constructed in any event, have been drawn in to enhance the picture. The whereabouts of land currently hoarded by local authorities will be made known by a requirement to publish information about it; this should increase the pressure to release derelict or under-used sites for development.

Taken as a whole, however, the package is shallow. The principal reason for its shallowness is ideological. The Government has a profound distaste for local authorities. Most of what the public was reminded of in yesterday's announcement by-passes locally elected councils. It relies, with good reason, on encouraging business to take a greater role in developing derelict areas. But the task of offering such encouragement is given to agents of the central government and co-ordinators, or to non-elected authorities with overriding powers. This ignores the value of local democracy. It is true that a number of local councils have fallen under extreme left Labour domination. Such councils seldom serve their constituents well. A good solution would be to reform local government. This has not been done.

Dependency

Other Government policies, not counted in the inner city balance sheet, are likely to do more damage to the immediate interests of many of the worst-off inhabitants of the inner cities than yesterday's measures are to do good. The new community charge, or poll tax, will be payable by every inhabitant, however poor; the maximum remission will be 80 per cent. The new social security regime, due to come into force at the end of the month, will leave some of those at the very bottom of the pile with less income than now. The new housing policies, will lead to sharply increased rents accompanied by a ceiling on rebate expenditure. Some may be "rescued from dependency" by the combination of such sticks and the "Action for Cities" carrots, but many will become more dependent than ever.

Today's US presidential primaries are proving embarrassing to the Democrats. Stewart Fleming reports



Short of comfort in the south

IT HAS NEVER happened before. Today voters in 20 states across the US will cast their ballots in separate Republican and Democratic party elections to choose about a third of the delegates for the two national conventions in July and August. There the delegates will nominate their parties' candidates for the presidency.

Already there are predictions, based not only on the opinion polls but also on the implications of the complex rules governing delegate selection, that in the Republican Party the day's events could give Vice President George Bush a nearly unassailable lead in the race for his party's nomination.

If these forecasts are accurate, his main rivals, Senator Robert Dole and the Reverend Pat Robertson, could be left with little more than the hope that the Vice-President will commit the sort of egregious electoral blunder that will let them back into the contest. Six short weeks ago, after the first caucus in Iowa, their prospects looked much rosier.

Testimony to Mr Bush's strength has already come from his main rivals. Mr Robertson is talking about co-operating with Mr Dole in a "stop Bush" movement. Mr Dole is said to be preparing an all-out effort to halt Mr Bush's forward progress in what many political analysts see as a last-ditch struggle in the Illinois primary next week.

Mr Bush's supporters may, therefore, end up rejoicing at today's bunching together of early primaries. This would be something of an irony for a Republican since it was state governments run by Democrats which were primarily responsible for creating the so-called Super Tuesday in the first place. The double irony is that those same Democratic instigators enter today in no mood for celebration.

That is because, as it has turned out, they have probably created in Super Tuesday a monster which is running amok and trampling all over the goals they had in mind when they made their decisions.

With the sole exception of 1976 when Jimmy Carter, a former Governor from Georgia, swept the south on his way to the White House, Democrats have for 20 years been swimming against the conservative tide in presidential elections in a region which has been transformed not just economically but politically in the last 25 years.

After Vice President Walter Mondale's humiliating defeat by President Ronald Reagan in 1984, when Mr Mondale carried only his home state of Minnesota and the District of Columbia, southern Democrats decided enough was enough and the nominating process needed changing yet again. They believed that the McGovern-Fraser reforms of the early 1970s, in particular, strengthened the influence of the party's liberal wing and especially organised labour. The sort of candidate the system was likely to produce had too little chance of carrying the more conservative south.

By bunching the primaries in 14 southern and border states early in the year they hoped both to diminish the attention which the public (and in particular the media) paid to early, and allegedly unrepresentative, contests in Iowa and New Hampshire and to permit southern influence to rise again.

Some even harboured the hope that a prominent conservative southern Democrat, perhaps Senator Sam Nunn of Georgia, would be on the ballot on Super Tuesday, believing that the combination of regional pride and political talent would propel him first to the party's nomination and then into the presidency. For if there is one thing most political analysts in the US agree on today it is that a Democrat who cannot carry some key states in the south has the odds heavily stacked against him in the presidential election.

But it has not happened as intended. Mr Nunn chose not to run, as did another popular southerner, former Governor Chuck Robb of Virginia. There are southerners in the field, the Reverend Jesse Jackson and Senator Albert Gore from Tennessee, but the pre-race favourite is Governor Michael Dukakis of Massachusetts.

In Texas, for example, Mr George Christian, formerly press secretary to President Lyndon Johnson and now a widely respected political consultant in Austin, was last week expressing concern that the Democratic Party might be on the verge of nominating another liberal as its party's standard bearer. He recalled that the Democrats have never won the presidency without winning Texas and Texas is a state Mr Bush calls home, even though his roots may be elsewhere.

More than this, far from being a decisive clean fight, Super Tuesday has degenerated into an ugly brawl among a field of candidates in both parties. This has left many of those likely to participate, (at best 20 per cent of the electorate) either undecided about who to support or repulsed by the spectacle.

In part, this is because the scale of the battle has overwhelmed the resources of the candidates. Media experts suggest that a fully financed campaign in Texas alone would cost $800,000 (£451,000) for the week leading up to Super Tuesday. The Democratic candidates simply do not have this sort of money to commit to a single state.

So, short of cash and frantically trying to make contact with apathetic voters in the three weeks since they left New Hampshire, they have been resorting all to often to cheap (in all senses of the word) attacks on their rivals trying to target their spending to regions where it will have the most impact at the least cost.

Congressman Richard Gephardt, the Missouri Democrat, has run a 10-second political advertisement charging that Mr Dukakis has "smeared" some of his rivals and "spied" on others. On the Republican side, Senator Dole, still smarting from the blistering attacks from Mr Bush which contributed to his defeat in New Hampshire, has prepared an advertisement pointing out that, while in office, the Vice President was leading the White House terrorism task force, which said the US would never sell arms for hostages, and, at the same time, approving the arms sales to the Ayatollah Khomeini. Republicans are

Far from being a clean fight, Super Tuesday has degenerated into an ugly brawl

fearful that all Mr Dole is doing is providing the rival Democrats with ammunition for their autumn offensive against the Republican presidential nominee.

When they are not damning each other through their television advertisements the candidates have been ricocheting from airport to airport around the south, sometimes covering as many as six states in a single day, hoping that these so-called election "events" or "press conferences" will be reported on the local television news. So-called "free media" is not only cheaper, because it appears as news, but is also more credible with voters.

But it is not just the immediate impact which the Super Tuesday format is having on the style of the campaigns that has been worrying moderate party leaders. Even before the final frantic weeks of campaigning across the country it was clear that far from diminishing the importance of Iowa and New Hampshire, the Super Tuesday arrangement had accentuated the significance of the February races in those two small states.

They certainly made possible the emergence from the pack of Governor Dukakis who, in a divided field, is now appealing successfully to suburban liberals, white-collar workers and teachers and (particularly in Texas) Hispanics. He has the added advantages of being by far the best financed and organised candidate. Moreover, also voting today are his home state of Massachusetts, as well as Washington and Rhode Island, where he is well positioned.

The most truly southern of the Democratic candidates is also a man the originators of Super Tuesday did not particularly want to see near the front of the pack. Rev Jesse Jackson, the black former civil rights leader, is also the most liberal Democrat in the field, a man who would raise taxes on the wealthy and slash defence spending to balance the federal budget. Conservative Democrats believe that the party's post-Vietnam label of being "weak on defence" has been one of its biggest liabilities in a region which is more overtly patriotic and pro-military than other parts of the country.

With the Democratic field divided between four candidates who appear to be succeeding in targeting their messages to particular geographic and demographic groups, Mr Jackson's strong base among the large black populations of the south, allied to his growing appeal among a minority of working class and liberal whites, has led political analysts to predict that he could emerge with up to a quarter of the 1,307 Democratic delegates at stake today.

Even Mr Gephardt, one of the founders of the Democratic Leadership Council, the moderate Democratic pressure group which gave the idea of Super Tuesday a political push, is not proving to be a conventional middle-of-the-road Democrat. Rather, he is busily embarrassing some of his erstwhile DLC associates, such as Mr Robb, by running as an economic nationalist.

He, in turn, is perceived to be challenged most directly by another DLC member, Senator Gore who, at least, does conform to regional prototype by being moderately conservative with a strong stand on defence issues, but with a smooth enough patina to woo voters outside the south. The able, but still youthful Senator Gore, 39, however, entered the contest belatedly. He hopes that his decision not to run in Iowa and New Hampshire, but to husband his financial resources for today's races, will not prove too big a handicap.

Further muddying the Democratic waters are the complex rules for choosing delegates to the convention, which vary from state to state. Generally they are based on a system of proportional representation allocated by congressional district. These rules, coupled with the fact that in eight southern states registered Democrats or Republicans are allowed to cross over and vote in the other party's primary (but not, in such an event, their own) also add to the overall uncertainty surrounding the likely outcome.

In the Republican party, there is less uncertainty. Although the rules vary, in several key states (notably Texas) a modified winner-take-all system is in operation. This means that Mr Bush could win not just a share of the delegates proportional to his overall percentage of the vote, but in some cases an entire state delegation.

But even though the Republican primaries could be much more decisive than the Democrats' in terms of producing a clear front-runner, the Republicans are, nevertheless, becoming increasingly concerned about cohesion within their party in this election year.

Their particular problem is the right-wing religious zealotry represented by Mr Pat Robertson. It seemed after his resounding second place in Iowa where he pushed the Vice President into third place, that he would be one of the winners on Super Tuesday. A string of primaries in the Bible belt of the south, where Christian fundamentalism is strongest, seemed tailor-made for the former television evangelist.

His unimpressive performance on Saturday in South Carolina raises some questions over that assumption, but it does not remove them. Moreover Mr Robertson is conducting guerrilla warfare at the grass-roots level of his party.

The militant tendencies of his supporters, with their religious agenda, constitute a strong force in the party, possibly exceeding his electoral drawing power. There are reports, for example, that some delegates selected to the Republican convention as supporters of Vice President Bush might actually be Robertson allies. This threat of a party divided by religious zealotry could, in the short term, however, be another factor working in Mr Bush's favour.

If he does as well as expected today the temptation for mainstream Republicans to rally round his candidacy and so to diminish the divisions in the party, will increase significantly. A divided and bickering Democratic field would then be seen as a liability to a party many of whose members believe that, if it could only unite around a candidate quickly, it can mount a potent challenge to the Republican candidate in November, particularly if that candidate is Mr Bush.

OBSERVER

New suitors for the Old Lady

A science akin to Kremlinology is practised by the City's Bank of England watchers, and the departure of two top officials, Rodney Galpin and David Walker, in only a week has presented them with a veritable feast for speculation.

Walker and Galpin were executive directors (the Bank only has four of them), which puts them directly below the Governor and his deputy in power and influence.

Walker occupied a rather ill-defined position. He was brought in from the Treasury in the 1970s by Gordon Richardson to look after industrial matters and help ailing companies. As those demands eased with Britain's improving corporate health, he shifted his considerable energies to the securities markets, where he was deeply involved in stage-managing the Big Bang.

In his new job as chairman of the SIB, he will retain a non-executive directorship of the Bank (he plainly has his sights on the top job) so he may not be replaced – even if that were possible with someone who had made the job so much his own.

But Galpin's slot will have to be filled. He was in charge of banking supervision, and the Banking Act requires specifically that the post be occupied by a full-time executive.

There are two obvious candidates: Peter Cooke, the associate director who is chairman of the Basle Committee on international banking supervision, and Brian Quinn who heads the Bank's supervision department.

My money is on Quinn, a compact Scot who has been called a "mini Sean Connery" because of his resemblance to the actor.

Quinn knows the business through and through, and enjoys a stronger standing in the Bank than Cooke who took some of the blame for the Johnson Matthey fiasco in 1984. Cooke's talents are also best deployed in Basle where his work on international bank harmonisation will be coming to fruition between now and 1992.

Both Downing Street and Buckingham Palace have to approve the appointment.

Further out, the shuffle could also affect the Bank's top echelons. Sir George Blunden, the Deputy Governor, retires in 1990, and now that both Galpin and Walker are gone, the field looks clear for Eddie George, the executive director in charge of monetary policy and financial markets.

Out of focus

Mrs Thatcher and the bevy of ministers who launched the Government's Action for Cities initiative yesterday were most happy to embrace the industry–school Compact scheme.

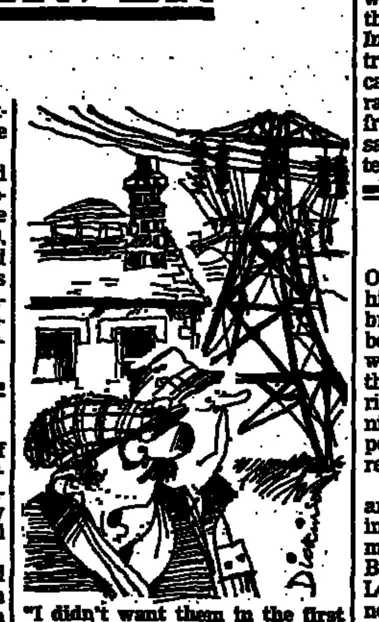
The cold shoulder was reserved for the Inner London Education Authority which, together with the London Enterprise Agency, started a pilot Compact in the East End of the capital in September.

The chill factor could be observed in the careful scrutiny of photographs supplied to the Government as illustrative material for its glossy brochure. Those carrying an ILEA stamp were consigned to the reject pile.

All mod cons

Students of the Royal College of Art have designed the interior for what they consider will be the house of 2020 at the Ideal Home Exhibition which opens today at Earl's Court.

Among the innovative features in their vision are superconductor power lines to replace plug sockets and a light beam channelled by mirrors to other parts of the house. The householder of 2020 will wear clothing with memory pockets which tell him if he has forgotten his key, if we are still using keys by then. By that time the personal stereo will have evolved into a pocket 3D television worn like sunglasses


"I didn't want them in the first place – now under privatisation I'm being asked to buy them."

with earpieces to blank out the senses. Presumably it will be possible to be mugged without knowing it.

Some furniture like the teenage son's "dancing legs" are designed to amuse. The legs are part of a female torso with rather prominent breasts. Professor Derek Walker, head of the College's Architecture and Design Studies Department with overall responsibility for the project, confessed that the right breast was prone to fall off if the legs twitched, a source of some anxiety since the Queen was visiting the house later in the day.

He said: "There is a lot of tongue in cheek here. You would have to be out of your mind to look 40 years ahead."

A clue to his thinking is the house vista. Projected on a window is the pool at San Simeon, the castle built by the newspaper tycoon Randolph Hearst. "We thought that was the ultimate in consumer insanity," said Walker.

One refreshing survivor of the 1980s was the humble milk bottle which can be recycled and is therefore environmentally sound. In contrast the "reassurance centre" in the bedroom where you can sit and take your pulse, heart rate and blood pressure, is far from reassuring. The students said it would be equipped with a test for HIV positive.

Chair of Power

Those who wondered why Oxford received a motorway and high-speed train well before Cambridge and suspected it was because the home of lost causes was more tightly plugged in to the establishment, may well be right. Both universities are running seminars on the concept of power and the differences are revealing.

All Souls, Oxford, has lined up an impressive list of speakers, including Lord Hailsham, the former Lord Chancellor; Sir Robin Butler, Secretary of the Cabinet; Lord Richardson, former Governor of the Bank of England; Field Marshal Lord Carver, former Chief of the Defence Staff; Sir Bryan Nicholson, Chairman of the Post Office; and Lord Callaghan, the former Labour Prime Minister.

The speakers at Clare college, Cambridge, have been rather more academic, and though they are no doubt illustrious, their names do not readily trip off the tongue. Their subjects are equally obscure. The gender and the historiographies of power in South and South-East Asia, power in the thought of Thomas Hobbes, and power in rural Wurttemberg are all guaranteed to expand the mind, to be sure, but when you need contacts in the corridors of power to lobby for a motorway, not very useful.

Not surprisingly the Oxford seminar is titled "The Exercise of Power".

Finnish joke

Why does the cartridge belt of the Swedish army recruit have six bullet slots instead of the five in the Finnish one?

The sixth is for lipstick.

Barry Riley talks to Sir Nicholas Goodison about his 12 years as Stock Exchange chairman

The thinking man's broker bows out

"IT WILL BE a wrench. I've been on the Council for 20 years. But it had to be. In this particular role I have achieved everything I really meant to achieve."

In some senses Sir Nicholas Goodison's natural turn as chairman of the London Stock Exchange ended with Big Bang in 1986, but at the end of the previous year he had agreed to stay in his post during the subsequent "difficult" transition period. There has since been speculation that he was ready to leave two years after Big Bang and look for a new outlet for his energies. So it has proved.

As he prepares to step down from the position to which he was first elected in 1976, it is remarkable to realise that this senior statesman of the securities markets is still only 53 years of age.

This leaves him with plenty of time to pursue a new career. He has chosen the TSB Group where he will become a part-time director next month and where he will take over from Sir John Read as chairman at the beginning of 1989.

For many years he has devoted three-quarters of his time to the Stock Exchange chairmanship and he will do the same at the TSB.

"I don't think I would be satisfied with a string of non-executive posts, interesting as they are," he said yesterday, relaxing in his office on the 22nd floor of the Stock Exchange. "One does want a mainstream activity and my background and experience is in the financial services industry."

His chairmanship has spanned a remarkable period in Stock Exchange history. "I rather doubt that I would pass an exam on all the events of the past thirteen years," he said. His toughest time, he suggested, came early on, when the Stock Exchange was entering the computer age with the introduction of the Talisman settlement system.

"Maybe it was because I was new. It was the first time firms had been obliged to undertake expenditure by Stock Exchange rule. My door kept on opening and a new pressure group would come through."

There have followed much more fundamental changes: the agreement to drop fixed commissions in 1983, the merger with the international securities dealers in 1985, Big Bang in 1986, the implementation of the Financial Services Act in 1988. And all the time the technological revolution has been gathering pace. The Stock Exchange is now bristling with computer systems. Two more are due for early introduction: SAEF, the small order auto-execution facility, by the end of this year, and Taurus, a paperless settlement system, during 1989.

Sir Nicholas is far removed from the popular image of a stockbroker as inward-looking and philistine. Champagne-swilling yuppies may be one part of the stock market scene, but the tall, languid Sir Nicholas has brought a rare intellect and cultural background to a Stock Exchange Council to which, it is often alleged, member firms are reluctant to second their best men.

"I find the interplay between business and politics very interesting, because I feel there are never enough people in either camp who wholly understand each other," he said.

When he became chairman he faced an unsympathetic Labour Government operating exchange controls, price controls and dividend controls. Moreover the Labour-originated action in the Restrictive Practices Court was actually pursued with some enthusiasm by incoming Tories like Sir John Nott, who was Trade Secretary at the time.

"They perceived the Stock Exchange as a monopoly, which wasn't true," insisted Sir Nicholas yesterday. But a deal over fixed commissions was eventually done. "I think things have come out right in the end. And that agreement in 1983 can be seen."

He has found time to develop a serious commitment to the arts. Besides being the author of *English Barometers 1680-1860*, he is chairman of the National Art Collections Fund and also of the Courtauld Institute. He says that the move of the Courtauld to Somerset House will be his major external project from now on.

It has been widely expected that Sir Nicholas would want to withdraw from the Stock Exchange once the post-Big Bang market was running smoothly and his name has been linked with several other jobs, including — according to a rumour last year — the directorship of the Victoria & Albert Museum. "I would never have done that," he said. "I would never have wanted to mix my spare time with a working career. I'm interested in commercial development."

One job that was certainly floated before him was that of chairman of the Securities and Investments Board. But he has made no secret of his opposition to the legalistic approach of the current regulators. He is also opposed to the controversial "polarisation" principle, a view which will stand him in good stead in future with the other clearing bank chairmen who have also fiercely opposed the imposition of a rigid choice between independent and "tied" status when selling financial products. According to Goodison: "I would have thought that particular matter could have been dealt with by disclosure."

The appeal to him of the TSB is that it is a big listed company active across the spectrum of financial services. Curiously, however, it lacks a major stockbroking firm, having recently disposed of the institutional side of Wood Mackenzie to County NatWest. Would he want to take the TSB further into the securities business? "Ask me again in a year's time," was the noncommittal reply.

Sir Nicholas Goodison joined the family firm of H.E. Goodison in 1958, becoming a partner in 1962 and being elected to the Stock Exchange Council in 1968. In a subsequent merger the firm became Quilter Goodison, and after a brief flirtation with a Scandinavian connection the firm was bought by the French Paribas group.

In due course Sir Nicholas will have to resign as a director of Quilter Goodison because of potential conflicts of interest with his role at the TSB, but he will remain an adviser to the old family firm. He describes it as "a very amicable arrangement".

He prepares to leave the Stock Exchange confident that the new structure is now built and that it is "sturdy and competitive". But his last nine months or so promise to be as busy as ever, with major elements of the Financial Services Act coming into force and the technological programme continuing apace.

His more than 12 years at the top have not always been without rumour of challenge, but serious opponents for the chairmanship have never come forward. For some obscure reason the Sun newspaper decided to start a "Goodison must go" campaign last year and distributed badges sporting the message. Loyal Stock Exchange staff retaliated with badges saying "Stick with Nick".

Yesterday he seemed content that his long reign was in fact coming to an end. But he confessed he did not yet have an account at the TSB. "I don't imagine I will escape," he murmured.

FOREIGN AFFAIRS

The ebbing power of Leviathan

Edward Mortimer examines the symptoms of superpower decline — and its implications

ONE SHOULD not be too hard on last week's Nato summit. Of course, it did not resolve the argument about modernising Nato's short-range nuclear weapons and, of course, it had to pretend that this argument does not exist, or is not significant. But that is in the nature of such exercises, and it might seem almost tasteless to allude to it were it not for the extreme provocation.

As it is, it is hard to decide which was most infuriating — the insouciance of President Reagan, who was not sure whether he had read the document issued in his name, the unwarranted hectoring triumphalism of Mrs Thatcher, or the illogicality of the West Germans, who insist that their country is "singularly" exposed to nuclear weapons when, to everyone else, it is obvious that the only war which might conceivably be confined to Germany would be a purely conventional one.

But the Brussels declaration represents, in the circumstances, a rather creditably coherent reassertion of Nato's basic objectives and policies, at a time when the geopolitical assumptions on which it is based can be felt crumbling beneath it — as the publication next week of Paul Kennedy's much-heralded work, The Rise and Fall of the Great Powers (Unwin Hyman, £18.95), opportunely reminds us.

Professor Kennedy argues that the US is falling prey to the problems of "imperial overstretch". The economic base of its world hegemony has been eroded as the *relative* strength of its economy, compared to that of other powers, has become inadequate to sustain the worldwide burden of the political and military commitments undertaken at the height of its economic predominance.

That, of course, is an important underlying source of the present tensions within Nato: the fact that the US's ability or willingness to carry the burden is no longer taken for granted and that American leadership is no longer unquestioningly accepted.

No less bewildering, however, are the changes going on in the Soviet bloc. Luckily for the West, the relative decline of the US does not mean, as one might expect and as many Americans unthinkingly assume, a decline relative to the other superpower. That looked possible 15 years ago, when America was still extricating itself from Vietnam, and Nixon and Kissinger seemed willing to concede formal equality to the Soviet Union as the price of a global détente; or 10 years ago, when the Soviet Union was still expanding its influence in Africa in the wake of the Portuguese and Ethiopian revolutions. But even then, those who studied the Soviet economy were telling us that it was in a state of acute crisis.

Now not only have their most sensational diagnoses and prognoses been confirmed from the lips of Mr Gorbachev himself, but some of the political and geopolitical consequences of Soviet decline have already begun to show themselves.

Those consequences are visible on every level:

● At the global level there are the series of concessions made by Mr Gorbachev on arms control, his advocacy of co-existence between different social systems as something permanent, rather than as a route to the eventual and inevitable triumph of Communism, his unprecedented admission that he *needs* improved relations with the West in order to carry through his domestic programme, and his attempts to revive the United Nations system even at the price of embracing the peace-keeping machinery anathematised by his predecessors.

● At the regional level, even more astonishing, there is the willingness to cut losses and admit defeat in Afghanistan.

● At the level of the Warsaw Pact, there is the conspicuous lack of a Soviet response to the degeneration of the Ceaucescu regime in Romania, which is not only in glaring contradiction to everything that Mr Gorbachev is trying to achieve domestically, but also is developing into an unprecedented crisis between two Soviet satellites (Romania and Hungary). In Poland, meanwhile, the Jaruzelski regime has to all intents and purposes given up even pretending to be Communist, yet without convincing the population either of its national legitimacy or of the seriousness of its attempts at economic reform. Both government and opposition seem almost paralysed, uncertain how far Mr Gorbachev will allow or encourage liberalisation in a satellite country to go; or indeed how far he will succeed in going himself, and fearing to provoke a Polish explosion which might bring about his downfall, or force him to come down on the side of repression.

● On the level of the Soviet Union itself, finally, there is the remarkably frank admission of the depths and systemic nature of the crisis, the constant harping on the radicalism, and difficulty, of the economic and political reforms needed to overcome it, the abandonment or demolition of many of the most cherished myths about the Soviet past, the re-opening (by the same token) of many of the most painful conflicts in Soviet history; the re-opening, above all, of the Pandora's Box that is the nationalities question.

The crisis of *Pax Sovietica* is, if anything, more spectacular, and also more alarming, than the crisis of *Pax Americana*, because, unlike the US, the Soviet Union has never been in the full sense a hegemonic power, that is, one whose power and prestige are so great that its leadership and example are followed without its having to resort to physical coercion.

The Russian Bolsheviks did, perhaps, exercise such hegemony over the other peoples of the Soviet Union in its very early days (though physical coercion also played its part), and over China before 1960. But the westward expansion of the Soviet Union after 1939, and the extension of its power over eastern Europe after 1944, was almost purely a matter of military force and has never achieved any other kind of legitimacy; and even if in the area of the pre-1939 Soviet Union the ultimate authority of Moscow is still not contested, it is essentially the monopoly of coercive force in the hands of the highly centralised Communist Party that has held local conflicts, such as that between Armenians and Azeri Turks, in check.

The result is that, whereas *Pax Americana* between, for instance, French and Germans, has been freely accepted and willed by the peoples in question and thus stands a good chance of remaining even when American hegemony is gone, the peoples of the Soviet bloc have only been held together by the sheer power of a Hobbesian Leviathan and are all too liable to revert to a war of all against all as soon as that power is felt to weaken.

Of course, that is first and foremost a problem for them, but it is also a problem for Nato, inasmuch as Nato itself is predicated on the existence of the Soviet Leviathan, its purpose being to prevent us all from falling into Leviathan's clutches.

At this moment, Leviathan is both faltering and full of benign gestures, which make it less convincing as a threat. But we do not know if this phase will last. In the long term, the decline of the Soviet empire, like that of other empires, is almost certainly inexorable. But few empires in history have gone quietly, and this one more than most seems likely to show its claws again, if its authority continues to be so widely and so openly challenged.

Footnote for history buffs: although Stalin is being blamed for having detached the mountainous Karabagh from Armenia and attached it to Azerbaijan, the original perpetrator of this misdemeanour turns out, as so often in such cases, to have been a British officer, a certain General W. M. Thomson. As commander of the British forces which entered Baku at the end of 1918 after the Turkish surrender, he stopped the (then independent) Republic of Armenia from occupying Karabagh and appointed a local Azerbaijani landlord as provisional governor general, pending the outcome of the Paris peace conference.

But alas, by 1920, when the peace conference produced a treaty purporting to regulate the affairs of that part of the world, its members had lost any purchase on events there; British troops had withdrawn and Azerbaijan, including Karabagh, had become a Soviet republic. See Armenia – the Survival of a Nation by Christopher J. Walker (Croom Helm, £14.95).

Letters to the Editor

No extra cash for extra pupils

From Mr Francis Butters.

Sir, Your news item "School funding inadequate, say state head teachers" (March 1) serves to underline the desperate state in which Berkshire education will find itself if Mr Nicholas Ridley's structure plan modifications for our county are approved.

We recognise the need for Government spending restrictions, and work to them; but Berkshire is faced with the necessity to invest substantially more in education all the time.

As the heartland of Britain's "Silicon Valley," we must modernise to some degree. Berkshire people are affluent and sophisticated and they expect much of their education service. In spite of this, the county is among the foremost in achieving economies in school running costs.

The *Education Reform Bill*, when enacted, seems likely to cost us an extra £4m next year, and £7m each year after that.

Now, we are expected to find money to teach the extra pupils who will come from the thousands of extra dwellings to be imposed on the county. But there is to be no extra cash for this from central Government.

Governing bodies and head teachers protest all the time (with some justification) that they need more money than we can provide for essential equipment and books. It is against this background that Mr Ridley has actually reduced the county block grant by 20 per cent – in real terms – this year.

Even a Conservative-controlled county council is driven to protest at this unreasonableness. We hope that, even as late as this, the Environment Secretary will understand the unmanageable extra burden he is seeking to impose on the county, and at least help us to fund it.

Francis Butters,
Chairman, Education Committee,
Royal County of Berkshire,
Shire Hall,
Shinfield Park,
Reading, Berkshire

Competition may not survive

From Mr Ian Roberts.

Sir, Congratulations are due to the Secretary of State for Energy for his deft and imaginative solution to the privatisation of the electricity supply industry (ESI). Having thus far successfully negotiated the minefields, he should nevertheless beware. Ticking quietly away is an ESI device which may yet upset his plans for competition in generation.

The industry has successfully planted the idea that 13GW (gigawatts) of new capacity needs to be built by the year 2000 (a figure that is readily contestable). To pay for this, tariffs will be raised by 15 per cent over the next two years.

However, between now and privatisation proper, private generators cannot compete on equal terms with the Central Electricity Generating Board (CEGB) to build that capacity because the prices they receive for their output are determined by the CEGB, and are compounded by the fact that, pre-privatisation, the CEGB can build its stations at non-commercial rates of return.

Would it be too sinister to speculate that such an inflated forecast of capacity requirement is being used to legitimise and attract funds to a major power station building programme cocooned from competition and subsidised by cheap capital?

And if some of the new stations fostered in such a protected environment were then found – consistent with the record of the past decade – to offer surplus capacity, would not this constitute an important barrier to market entry to freeze out new competitors once the ESI goes private?

Action needs to be taken on three fronts if competition is to remain the keynote of this privatisation:

The capacity requirements claimed by the public ESI industry should be put out to tender where private consortia can compete with the CEGB.

Each bidder, including the CEGB, should go to the capital markets to finance the project. This would relieve the burden on the taxpayer and would be a true test of commercial viability.

The tariffs payable for electricity should be the same for whoever wins the contract.

The time to start building the competitive framework for a private ESI is now. Competition suddenly introduced may not survive the electric shock.

Ian Roberts,
4 Purbeck Avenue,
Shepshed,
Loughborough, Leicestershire

Supply will be less secure

From Mr J.P. Longworth.

Sir, The Parkinson Plan is nothing more nor less than a risky experiment with the nation's electricity future. In his White Paper the Energy Secretary states his predictions of the results of this experiment as if they were facts rather than the speculation they clearly are.

Unfortunately the most likely results are the opposite of his claims. The pressure on prices will be upwards, supply will be less secure, and safety standards will fall.

In the short term, the proposals introduce competition in demand rather than in supply. There is no incentive for any generating company (new or existing) to build more capacity than it can guarantee selling. Each of 12 distribution companies will compete for the available capacity, leaving the generators to sell to the highest bidder.

In the longer term, the only way distribution companies will be able to carry out their statutory duty to ensure enough capacity to meet peak demands will be to own their own generating units – relatively cheap to build, but inefficient in fuel usage; hence costly to run. The Government's price regulation will allow fuel costs to be passed on to the customer but would expect shareholders to fund capital investment.

The future is likely to consist of dwindling generating companies unable to find investors in such an insecure capital intensive business; and growing regional monopolies finding it increasingly difficult to ensure adequate capacity.

The electricity industry in the UK is acknowledged to be one of the most efficient in the world. The consumer's interests have always come first (indeed, by law they have to). The reliability and quality of the electricity, standards of safety, and investment in technological development, have served the country well. Mr Parkinson is risking all this for an ideology that has been proved to be false at least twice already (British Telecom and British Gas).

If people in the UK wish their electricity supply to remain securely a national resource, they need to use all the democratic processes to have the White Paper withdrawn or the relevant Bills fail in Parliament. The arguments are so strong that even Tory MPs must be persuaded by them.

J.P. Longworth,
16 Hyland Grove,
Bristol

The two unions' amalgamation discussions should not be handicapped

From Mr Gavin Laird.

Sir, There are few areas in manufacturing where the objectives of both the trade unions and employers would be better served than through the creation of a new union through the amalgamation of the Electrical, Electronic, Telecommunications and Plumbing Union (EETPU) and the Amalgamated Engineering Union (AEU).

Given the need for unions to reflect changes in the technology of manufacturing, where the divide between mechanical engineering and electronic engineering is disappearing, it is clearly in everyone's interest to do all they can to eliminate potential areas of friction by creating a single union. I should have thought that no-one would create impediments to this end.

It is for these reasons, coupled with admiration, often publicly expressed, for the Financial Times, that I read with dismay the report by Philip Bassett (February 19), which was not only inaccurate but also mischievous.

On the day you published this article, members of our executive were at meetings in various venues throughout Britain and Ireland, updating our full time officials on the internal affairs of our union – and, incidentally, being able to report in a very positive way that the AEU in all respects, particularly financial, and with a stable membership, is set fair for the future. In these reports, as far as our discussions on amalgamation with the EETPU are concerned we stated that while we have had three valuable meetings with the EETPU, so far we have not discussed important items such as election of officials, or the role of factory branches as opposed to geographical branches, and a whole host of other important points.

To imply, as Philip Bassett has implied, that the AEU has jettisoned the principle of election of full time officials is not the kind of reporting one has come to expect from the Financial Times.

Gavin H. Laird,
General Secretary, Amalgamated Engineering Union,
110 Peckham Road, SE15

If intended for publication, Letters to the Editor should include, where possible, a daytime telephone number.

FINANCIAL TIMES

Tuesday March 8 1988

Though it is weakened, reports of the Republican organisation's demise appear premature

Battered IRA casts its net wider

EACH WEEK, An Phoblacht (The People), the Republican Newspaper and mouthpiece of the IRA widely available in both Northern Ireland and the Republic, carries a macabre list of dedications to those "Republican Volunteers" killed in action, write Kieran Cooke in Dublin and our Belfast correspondent.

Last week the paper appeared with a black border after two of the IRA's most senior figures operating in the border regions were blown up handling their own bomb. At the weekend three more IRA operatives, again senior members of the organisation, were shot dead in the course of a terrorist mission in Gibraltar, apparently by a unit of the elite British military force, the Special Air Services (SAS).

It has certainly been a bad year for the IRA. But those forecasting its defeat are operating under dangerous illusions. As the British military now admits, the IRA is a sophisticated, highly trained organisation: both the former commander of British forces in Northern Ireland, Sir James Glover, and the Northern Ireland Secretary, Mr Tom King, have admitted in recent days that the IRA cannot be defeated militarily.

"The campaign will last as long as the Provisional IRA has the stamina and the political motivation, and so long as there is a divided island of Ireland," said Sir James.

The IRA is clearly no longer regarded, as it once was, as a group of amateur, foolhardy fanatics. Recent events have, however, weakened the IRA's military structure. Last March eight IRA members were killed, again by units of the SAS, while attacking a remote police station in Loughall, Northern Ireland. Last October, two IRA men were blown up in Londonderry while transporting a bomb.

Last November, 11 civilians were killed in the memorial day IRA bombing at Enniskillen: the IRA later admitted to a "tragic mistake" and suffered a severe propaganda setback.

The IRA operates as a tightly knit, cellular organisation, dependent on a hard core of perhaps only 50 highly trained individuals who direct the activities of no more than a total of 400 members. Analysts point out that those killed recently have been senior IRA figures, well known to the security forces. This could indicate a dearth of sufficiently trained new recruits.

But while the IRA is down, it is by no means out. Over the years it has widened its operations, not only on the British mainland, but also in continental Europe. Ten years ago it bombed eight British army bases in West Germany in one night. In 1979, it assassinated the British ambassador in the Netherlands. Since then there have been a number of other IRA attacks in Belgium and West Germany.

Hooded men fire volleys at the funeral of a colleague

Intelligence services in Britain and Europe are convinced that the IRA now has well lubricated channels of contact with other underground organisations, such as the Basque separatist organisation, ETA, and the French Action Direct group. Analysts feel that preparations for a bomb attack in Gibraltar, the furthest south IRA activities have so far been detected, would not have been possible without ETA support.

The IRA also has clearly formed a close liaison with the Libyan regime of Colonel Muammer Gadaffi, which has made no secret of its support for what it calls the just cause of the Irish struggle. While recent seizures of arms en route from Libya to Northern Ireland have been a setback for the IRA, a massive armoury of weapons — "Enough to start a small war" according to the Irish police — are now known to have arrived in Ireland. These are believed to include missiles capable of bringing down army helicopters.

The authorities in the Irish Republic are as worried as those in Northern Ireland about the amount of arms — believed to amount to at least 150 tons — in the possession of the IRA. Mr Gerry Collins, the Irish Minister for Justice, has spoken of the frightening prospect of 1,000 rifles being paraded down O'Connell Street in central Dublin.

The Government in the Republic also feels that recent actions by the British authorities, including the failure to prosecute officers of the Royal Ulster Constabulary alleged to have been involved in a "shoot to kill" policy in Northern Ireland, have played into the hands of the IRA and hardened attitudes among the nationalist community in the North.

Last weekend, as IRA bombers were launching their mission in Gibraltar, two of their comrades-in-arms were being buried in the border country of Northern Ireland. A funeral oration spoke of the need to continue "the war" against the British presence in the North as a dedication to those IRA members who have died. No one, especially the security forces, expects the IRA to fade away.

Search for fourth suspect continues

Security forces in Gibraltar were still searching last night for a car bomb and a fourth IRA terrorist, following the shooting incident on Sunday in which three IRA bombers were killed.

Sir Geoffrey Howe, the British Foreign Secretary, told the House of Commons yesterday there had been no explosives in the car parked near the Governor of Gibraltar's residence and thought by the security forces to contain a bomb.

The killing of the guerrillas provoked riots in Roman Catholic areas of Belfast last night. Police fired plastic bullets as youths hijacked buses and cars and set them ablaze. Page 2

Pensioners denounce bankrupt Noriega regime

By David Gardner in Panama City

THE OLD MAN, bent and toothless, beat his cane in fury against the bright plate glass of the Treasury window. "Thieves," he cried, "rateros (muggers), get out, go, go."

At the entrance to the Finance Ministry, a knot of incensed pensioners were trying to break down the doors. "Out with pineapple-face," chanted an elderly lady at the front, referring to the pock-marked face of Panamanian military strong man, General Manuel Antonio Noriega, and raising a pineapple in one hand and her worthless bi-weekly pension cheque in the other.

Panama City's 60,000 pensioners were due to be paid yesterday morning, the first in a queue of payroll obligations the bankrupt military-dominated regime will not be able to meet this week.

By mid-morning the old folk had practically paralysed the city, blocking six main streets, the trans-Isthmus highway, the areas around the Treasury and the Banco Nacional de Panama (BNP) in the heart of the 125-bank International Finance Centre, closed since last week because there is no cash, literally.

The BNP, the state clearing bank, has $17m left, after last week's US-backed freeze of Panama's remaining liquid assets.

There are many reasons for this, but none which would cut any ice with the insurrectionary pensioners, who squarely blame Gen Noriega and the 15,000-strong National Guard.

Two hundred yards from the Treasury in the blockaded Plaza Porras, where the regime yesterday afternoon planned a trade union rally in defence of national sovereignty, a frail and grey lady sat on a National Guard jeep, banging its bonnet, insulting a sheep-faced police captain and his mother.

Nearby, Carlos Lince, aged 70, a retired guardsman, said: "Noriega and his mafia have done all this; everybody says that, but we say it in the Guard, too. These thieves have stolen the country, while we can't cash a cheque anywhere."

Since Panama's crisis took a new turn 10 days ago, following General Noriega's palace coup against figurehead President Eric Delvalle, neither the regime nor the opposition has tested its strength on the streets. The political stand-off got quickly subsumed into the twin fiscal and bank crises.

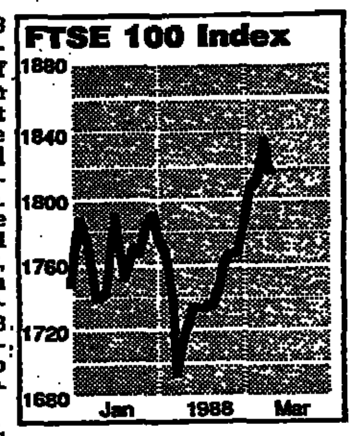
● A US Federal judge yesterday extended a temporary restraining order that enjoins Bankers Trust and Marine Midland Bank from making payments against any account of the Republic of Panama unless approved by Mr Juan Sosa, the legal representative in the US of the Republic of Panama, AP-DJ reports from New York.

THE LEX COLUMN

Overstepping the mark

Sterling's surge through DM3 yesterday morning had a dramatic feel to it, but by the end of the day the markets were in some perplexity over what it actually meant. This will have been wholly intentional: official policy has shifted, but the speculators have to guess where to. Assuming, though, that the Chancellor has not abandoned exchange rate targeting entirely, sterling will not have been uncapped, but re-capped. The previous range of DM2.96 to DM3 having proved awkwardly narrow, it would not be surprising to see a wider band emerging of perhaps DM3 to DM3.10.

The alternative possibility, which the markets yesterday were not quite prepared to dismiss, is that sterling is headed for DM3.20 and upwards. This would have real implications for equities through its effect on forecast earnings; but official policy apart, it is not immediately obvious why the currency should forge ahead in response to current account problems and a weak oil price. Yesterday's fall in the equity market probably owed little to such fundamental worries, and much to the continued tendency of fund managers to react to any loud noise by diving into their burrows and waiting for the all clear.



There was a similar lack of purpose yesterday to the gilt market, with no real follow-through to an initial one-point rise. But on balance, the market seems disposed to the longer view: The shift in official tactics seems again to rule out an early cut in base rates, but the pay-off comes in the Chancellor's evident intention to stick to his anti-inflationary guns. Again, the reduced commitment to intervention means less chance of stock being issued by way of sterilisation. As for equities, if the FT-SE100 succeeds in forming a new base above 1800 even the technical analysts will be happy, for what that is worth.

TSB

It is hard not to see the appointment of Sir Nicholas Goodison to the chairmanship of TSB as yet another missed opportunity. There is plenty of scope, to say the least, for someone to take on the big four clearers on a wide domestic front. TSB's negative virtues — no exposure to Third World debt, no real involvement in the dodgy areas of investment banking — should make it the ideal candidate. What it surely needs, though, is someone experienced in the mass-marketing of financial products — in the mould of Sir Mark Weinberg, say — who can take hold of the opportunities offered by TSB's immense and faithful customer base. In Sir Nicholas it is getting a skilled City diplomat, but one whose hands-on experience is confined to running a smallish and modestly successful firm of stockbrokers.

There is little comfort in the reflection that the group will be no worse off than it is at present. The challenge remains one of providing leadership at the top and making good the dearth of management below. TSB shares have done nothing since collapsing in the crash, and have the melancholy distinction of being the second worst performer in the sector over the past year after Standard Chartered. Yesterday's news is unlikely to transform that.

Enterprise Oil

Enterprise Oil's discovery of the Nelson field is a fine demonstration of the worth of the vulnerable oil independents. The company did exactly what independents have so frequently failed to do in spotting an opportunity that the majors had overlooked. By a deft series of swaps it obtained 100 per cent of Nelson from under the noses of Chevron, Conoco and Britoil, and found enough oil to add almost 30 per cent to its total oil reserves.

Enterprise's attempt to make the market respond sensibly to the discovery through an early, full announcement is also a welcome change from the customary secrecy of the oil industry. However, to hope for a perfect market in the shares would be asking the impossible. Before the company itself knew how much oil it had found, the market had pushed the shares up by at least 30p on the word of share tipsters and semi-informed onlookers.

Moreover, despite Enterprise's disclosure of the physical amount of oil and the costs of developing the field, there is still plenty of room for disagreement on what the find is actually worth - which depends on the oil price in five years' time. With back-of-the-envelope estimates ranging from 35p to 100p a share, the market's extra 10p on the share price was probably about right - especially on a day in which everything else was going the other way. Perhaps the stability of the oil independents despite a falling dollar, a weakening market and a sub-$14 oil price shows that for the first time in ages the market has been reminded that these companies have exploration acreage, and that the North Sea is a long way from having exhausted its opportunities.

Rank Organisation

A caravan holiday in the Yogi Bear Jellystone Park in the US might not be British investors' idea of a good time, but they were broadminded enough yesterday to applaud Rank Organisation for its acquisition of Ahnert Enterprises. The company has long wanted to reduce its dependence on the UK leisure market, and through Ahnert it will be able to apply its experience of caravan parks in the UK, where 90 per cent of the population is never likely to visit one, to the US, where the market consists of 60m middle aged travellers and is growing.

After having negotiated the purchase for 18 months and walked away four times, Rank has secured what seems a good price. The deal will increase its earnings by about 2p or so per share this year with promise of more later, if it can employ its capital to advantage in a business that has been sort of cash.

The deal also provides a clue to Rank's corporate plans, which until now have been bigger on disposals than acquisitions. Although Ahnert leaves Rank with a spare £700m under its capacious borrowing facilities, the company is more likely to follow with a series of small deals, expanding piecemeal in what is a fragmented market. The City should probably rate this careful company more highly; yesterday's deal questioned the sense of its 15 per cent discount to the market.

Rank buys US theme park group

BY NIKKI TAIT IN LONDON

RANK Organisation, the UK leisure and entertainments group with domestic interests ranging from Butlins holiday resorts to Odeon cinemas, yesterday announced the $180m acquisition of Ahnert Enterprises, a privately-owned American leisure company based in Bushkill, Pennsylvania.

Ahnert, founded by two brothers who are now in their 70s, owns 14 private caravan resorts on the US East Coast through its Outdoor World subsidiary. It also owns the franchises of the Yogi Bear Jellystone Park and Safari World resorts. Some 81 independently-owned public caravan resorts operate under the former franchise and 21 under the latter.

Ahnert also owns 2,250 acres in the Pocono Mountains, a popular weekend retreat within 90 miles of New York City. Over the past 13 years, Ahnert has developed about half of this land — selling plots of land and building town houses, second homes and time-share units. It still has 550 acres remaining for development and also has options on a further 1,100 acres in the area.

Hanna-Barbera

Yesterday, Mr Michael Gifford, Rank's chief executive, said that Ahnert fitted the UK company's plans for further investment in the US, and offered substantial opportunities for growth.

Caravan holidays are considerably more popular in the US than in the UK and ownership of resorts is fragmented.

Ahnert, which has 90 per cent of its sites between Maine and Florida on the Eastern seaboard, ranks second in both the public and private resort markets. Rank already has hotel, holiday resort and second-home interests in South Carolina, and claims to be the largest operator of caravan park resorts in Europe.

In the year to end-April 1987, Ahnert's turnover was $116m, and trading profits $26m. After financing costs, the pre-tax figure was $14m, compared with $9m and $7m in 1985-86 and 1984-85, respectively. Outdoor World is the main profit-earner, contributing around three-quarters of the total.

The purchase price — finalised after almost two years of negotiation — comprises a $52m cash payment and the assumption by Rank of approximately $128m of debt, which it intends to refinance. Assets being acquired stood at $154m at end-April 1987.

Enterprise Oil makes large N Sea find

BY STEVEN BUTLER IN LONDON

A BIG GAMBLE by Enterprise Oil paid off yesterday in one of the largest oil finds by a UK independent exploration and production company.

Enterprise said it found an estimated 150m to 175m barrels of oil about 120 miles off the coast of Aberdeen, Scotland, in block 22/11 of the North Sea. The discovery is large by recent standards, though it is dwarfed by the 1bn barrel finds of a decade and more ago.

After several days of battling high winds and heavy seas, the crew of the Dundee Kingsnorth, a semi-submersible drilling rig, early yesterday morning succeeded in stabilising a flow of high quality crude oil from an exploration well at 6,500 barrels a day.

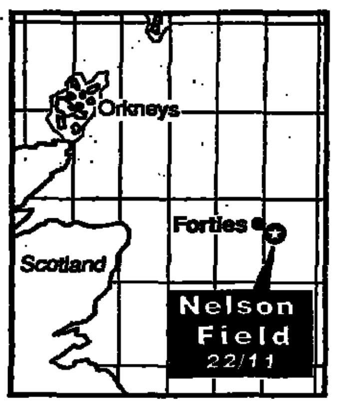
The find is a big boost to Enterprise, now the largest UK independent oil company, which in early December lifted its interest in the exploration block from 30 per cent to 100 per cent. Such a move is practically unheard of for an exploration and production company.

Mr Graham Hearne, chief executive, said: "The discovery demonstrates that the North Sea is still a highly rewarding exploration area and that independent oil companies such as ours have a key role to play in developing the nation's oil reserves."

The discovery has been named the Nelson field after Admiral Horatio Nelson, who was killed at the battle of Trafalgar in 1805 and whose statue in Trafalgar Square, London, stands beneath Enterprise's offices.

Seismic surveys of the area indicate an oil reservoir about five miles long and two to three miles wide, stretching north into block 22/6, which is licensed to Shell and Esso. Shell, operator of the field, plans to drill its own well on the structure in the coming months.

Enterprise says that about 100m barrels of the reservoir are located in its licence block and it is proceeding with plans to develop the field.



This will be the first time that Enterprise will have operated a producing field and increases Enterprise's projected oil production to more than 100,000 barrels a day by the middle of the next decade.

Development costs are estimated at between £300m ($525.7m) and £350m, or roughly £2 a barrel.

The field is about 10 miles from the giant Forties field operated by BP, creating the possibility of pumping oil from the field through existing pipeline facilities.

After a test of a second well at the site next week, Enterprise plans to drill two appraisal wells in the southern part of the structure by this summer.

Oil analysts said that preliminary estimates of the reservoir size could be subject to significant revision.

Development submissions to the Department of Energy are planned for next year, with production expected by the end of 1992. Enterprise shares, which rose strongly last week on rumours of a big oil find, yesterday gained 10p to close at 325p.

Pirelli bids $1.9bn for Firestone

Continued from Page 1

from Pirelli suggesting that the two companies open talks on the sale of the US company's tyre interests.

Yesterday's bid confirms Pirelli's determination to buy a manufacturing foothold in the US, which accounts for a third of world tyre sales, following its failure to reach agreement last year with Armstrong Rubber, the fifth biggest US tyre manufacturer.

A Firestone-Pirelli merger would create a tyre company with annual sales of more than $5bn, putting it in the third global slot behind Goodyear of the US and Michelin of France.

Pirelli has no tyre manufacturing presence in the US and a market share for replacement car tyres of only 1 per cent. It manufactures tyres in 11 European countries. Tyres accounted for $2.4bn of its $5.5bn 1987 turnover.

Pirelli said its offer would be open until April 1 and that it was conditional, among other things, on winning control of two-thirds of Firestone shares.

The other conditions are that any "poison pills" Firestone may have prepared against unfriendly takeovers be removed, and that the agreement with Bridgestone is not made definitive.

Pirelli said it had organised "amply sufficient" lines of credit with the help of Swiss Bank Corporation and Credit Suisse. No increase in Pirelli's own capital would be needed.

Roderick Oram in New York adds: On Wall Street Firestone's share price jumped $11⅞ to $61⅞. Nearly 9 per cent of Firestone's shares changed hands.

Pirelli's counter punch Page 22

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	10	50	Dubrovnik	C	12	54	Malta	C	13	55	Rhodes	C	14	57
Algiers	F	16	61	Edinburgh	C	6	43	Manchester	C	6	43	Rio de Jo	F	31	88
Amsterdam	S	7	45	Faro	S	17	63	Manila	S	31	88	Rome	F	12	54
Athens	F	14	57	Florence	C	11	52	Melbourne	F	30	86	Salzburg	C	3	37
Bahrain	S	20	68	Frankfurt	R	4	39	Mexico City	S	21	70	San Francisco	S	17	63
Bangkok	S	31	88	Funchal	F	15	59	Miami	F	26	79	Seoul	S	-1	30
Barcelona	F	19	66	Geneva	C	4	39	Milan	F	10	50	Singapore	F	28	82
Beirut	R	19	66	Gibraltar	S	17	63	Montreal	S	4	39	Stockholm	Sn	1	34
Belfast	R	9	48	Glasgow	F	7	45	Moscow	C	-1	30	Strasbourg	C	6	43
Belgrade	C	5	41	Guernsey	D	8	46	Munich	Sn	1	34	Sydney	C	22	72
Berlin	R	3	37	Helsinki	Sn	-1	30	Nairobi	S	27	81	Taipei	C	12	54
Biarritz	C	11	52	H. Kong	C	14	57	Naples	C	14	57	Tangier	F	15	59
Bombay	S	29	84	Innsbruck	C	5	41	Nassau	C	26	79	Tel Aviv	R	18	64
Bordeaux	C	11	52	Inverness	C	6	43	New Delhi	S	28	82	Tenerife	F	18	64
Brussels	R	5	41	Islamabad	C	22	72	New York	C	9	48	Tokyo	S	11	52
Budapest	F	6	43	Istanbul	R	9	48	Nice	S	15	59	Toronto	S	6	43
B. Aires	S	31	88	Jakarta	C	32	90	Nicosia	C	17	63	Tunis	C	14	57
Cairo	F	21	70	Jersey	C	9	48	Oporto	S	14	57	Valencia	S	19	66
Cape Town	F	17	63	Jo'burg	S	24	75	Oslo	S	1	34	Venice	C	6	43
Caracas	C	27	81	Lima	S	26	79	Paris	F	8	46	Vienna	C	4	39
Casablanca	S	15	59	Lisbon	S	14	57	Peking	S	7	45	Warsaw	F	3	37
Chicago	R	10	50	London	F	9	48	Prague	F	2	36	Washington	F	16	61
Cologne	C	5	41	Los Angeles	C	13	55	Reykjavik	D	7	45	Zurich	Sn	3	37
Copenhagen	F	2	36	Luxembourg	C	3	37	Readings at mid-day yesterday							
Corfu	F	15	59	Madrid	S	12	54								
Dallas	-	-	-	Majorca	S	16	61	C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain							
Dublin	C	11	52	Malaga	S	18	65	S-Sun Sl-Sleet Sn-Snow T-Thunder							

Six die in Israeli siege

Continued from Page 1

had been five attempts by the PLO to enter Israel from abroad since the beginning of February, the last on Sunday.

But until yesterday none had inflicted civilian casualties. A month ago two Israeli soldiers died in a clash with gunmen who managed to cross the border from southern Lebanon.

Separately yesterday Mr Yitzhak Shamir, the Prime Minister, said US peace proposals for the region presented last week by Mr George Shultz, the US Secretary of State, could lead to an invitation to the PLO to take part in an international peace conference.

Mr Shamir is strongly opposed to the proposals. Successive Israeli governments have adamantly refused to have any contact with a body always branded unequivocally as a terrorist organisation.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday March 8 1988

Warner to seek bid talks with Lorimar-Telepictures

BY JAMES BUCHAN IN NEW YORK

WARNER Communications, the US entertainment and communications group, yesterday emerged as the front-runner in Hollywood's jostling for control of Lorimar-Telepictures, the film studio which has been troubled by erratic financial management and unsuccessful diversification.

Lorimar, which is best known for making successful television series such as Dallas, said yesterday that it had been approached by Warner "to explore the desirability of a business combination."

The announcement sent Lorimar's stock up $\$1\frac{3}{4}$ to $\$14\frac{1}{4}$ in early trading as Wall Street braced itself for the sale of the company to Warner. At $\$14\frac{1}{4}$ Lorimar is worth about $650m.

Analysts believe that other Hollywood studios – such as Columbia, Paramount, Disney and MCA – could be interested in the Culver City company, which is the leading US supplier of original TV programming.

However, they say Warner, which is strong in full-length films but weak in first-run TV, has the edge.

Ms Mara Balsbaugh, an analyst at Smith Barney in New York, said: "This deal could make Warner a powerhouse in TV, international programming, first-run and syndication." Mr Dennis McAlpine, an analyst at Oppenheimer, said: "If I were Lorimar, I'd do the deal with Warner, because there is more room for Lorimar people there."

Under Mr Merv Adelson, Lorimar's chairman, the company spent more than $200m on diversification, buying into advertising, a troubled home video company, several television stations and MGM's old lot in Culver City. Excursions into filmmaking have so far been flops.

Mr Adelson said last year that he was pulling back from businesses outside entertainment, and Lorimar has since sold three television stations and the ad agencies. However, Lorimar reported a loss in its most recent quarter to of $19.2m on revenues of $255.1m, claiming there were irregularities at its home video business.

Gambro earnings surge by 67%

BY SARA WEBB IN STOCKHOLM

GAMBRO, the Swedish manufacturer of kidney dialysis and intensive care equipment, reported a 67 per cent increase in profits, after financial items, to SKr222.5m ($37.1m) last year, reaping the benefits of its earlier restructuring measures.

Group sales rose by 64 per cent to SKr2.64bn, helped by the acquisition last September of the Hospal Group, the Swiss-French manufacturer of artificial membranes and machines for kidney treatment, for SKr1.2bn. The board proposes raising the dividend from SKr0.8 to SKr1.2.

Gambro said that sales of products for kidney care, which account for about 90 per cent of the total sales, rose by 12 per cent to SKr2.35bn, taking comparable units into consideration.

Sales of intensive care equipment and products used in anaesthesia rose by 13 per cent to SKr285m. Operations in Spain and Italy showed strong profits and managed to strengthen market position, while developments in the US were unfavourable.

The Hospal Group showed strong earnings last year, the group said. The acquisition was intended to help form the world's largest manufacturer of dialysis products.

IU accepts $670m Neoax offer

BY OUR NEW YORK STAFF

IU INTERNATIONAL, the US trucking, food services and waste management company, has accepted a $\$22\frac{1}{4}$ a share or $670m offer from Neoax, a company about one-tenth its size which has been stalking it for the past two months.

Neoax is a successor company to White Motor, a heavy truck maker which was reorganised under bankruptcy laws in 1983. It had initially offered $\$17\frac{1}{2}$ a share, and IU tried various defences including an abortive leveraged buyout, selling some of its assets and a recapitalisation.

But after Neoax raised its offer to $22 the two sides began negotiating late last week. Shortly before Neoax announced its first offer, IU's shares were trading at $9.75 and traded unchanged at $22 yesterday.

Mr John Christy, IU chairman, said the revised Neoax offer was a "marvelous value for shareholders." Neoax, which makes hearses, military and other specialist vehicles, has said in papers filed with the Securities & Exchange Commission that it would sell IU's trucking and food distribution units but retain its International Mill Service waste management division.

General Electric in counter-bid for Roper

By Roderick Oram in New York

GENERAL ELECTRIC, the major US industrial products group, yesterday launched a $423m, or $45-a-share, counter-bid for Roper, a kitchen and garden equipment maker which agreed recently to a takeover offer from Whirlpool, a competitor.

It is GE's first-ever unsolicited takeover offer but it reflected the specific situation rather than a change of strategy, the company said.

Roper's shares leapt $\$10\frac{3}{4}$ to $\$48\frac{1}{4}$, far surpassing Whirlpool's $\$37\frac{1}{2}$ a share, or $352.5m, initial offer. The Georgia-based manufacturer of kitchen stoves, lawn mowers and garden tractors had accepted it last week after Goldman, Sachs, its investment banker, had judged it fair to shareholders.

Roper said it had no immediate comment on GE's offer but would study it. In light of the Whirlpool agreement, GE said it was going directly to Roper's shareholders with a tender offer which began yesterday and expires on April 1.

GE had approached Roper with a view to a takeover last year but was rebuffed. GE's main interest was Roper's gas kitchen ranges which it and other sub-contractors make under the GE name plate.

Whirlpool's interest in Roper appeared to stem from the manufacture by both of them of equipment for Sears, Roebuck under the retailer's Kenmore brand name. Merging their operations might give Whirlpool more negotiating clout with Sears – by far the largest US stores group.

In its fiscal year ended July 31, Roper earned net profits of $24m on sales of $703m. GE dwarfs its target with net profits from appliances of $490m on turnover of $4.72bn last year.

De Benedetti names backers in bid for Belgium's most powerful company

Nestlé and Philips in SGB line-up

BY TIM DICKSON IN BRUSSELS

MR CARLO DE BENEDETTI, the Italian industrialist who is striving to win control of Société Générale de Belgique, Belgium's most powerful company, said yesterday that his much touted "camp followers" include Philips, the Dutch electricals group, and Nestlé, the Swiss food multinational.

The disclosure of these and other corporate names such as Shearson Lehman, the US investment bank, and FAI Insurances, the Australian insurance concern, had been requested by the Belgian Banking Commission as a condition for extending Mr De Benedetti's bid for SGB until March 18.

Even so, it was seen in Brussels as strengthening Mr De Benedetti's hand in the now deadlocked seven-week takeover battle for the country's beleaguered business institution.

Until yesterday Cerus, Mr De Benedetti's Paris-based holding company spearheading the bid, had refused to reveal the identity of its supporters which it says form part of its 47 to 48 per cent stake in SGB.

This group is now opposed by a rival Franco-Belgian consortium, led by Compagnie Financière de Suez of Paris and Groupe AG, Belgium's leading insurance company, which claims to speak for 52 per cent of the capital.

Yesterday's statement from Cerus breaks down its 47.01 per cent "holding" and shows that the biggest chunk (15.9 per cent) is owned by a company called Europe 1992.

This is a new holding company (country of establishment not yet known) which was set up by Mr De Benedetti last week when Mr André Leysen, the Flemish businessman who had earlier appeared to be friendly to the SGB board, dramatically defected to the Italian's side bringing with him the 2 per cent stake in SGB held by Gevaert, the financial holding company.

Europe 1992 – a name consciously designed to conjure up an image of the barrier-free European market which is planned for that date and which has as its only assets the SGB shares – is owned by Cerus, Gevaert, another Belgian financial holding company

Carlo De Benedetti: "Camp followers" revealed

Cobepa, the Geneva based bank CBI, and Shearson Lehman.

The plan is now that Philips and Nestlé, which have both accepted the idea in principle, should join this group of Europe 1992 shareholders.

The proposed Philips stake was not spelt out, but Nestlé intends to take 4 per cent of the Europe 1992 capital. Cerus, meanwhile, stressed that its participation would remain at 50.01 per cent.

Although it was not confirmed yesterday, Philips and Nestlé are also thought to be among those direct La Générale shareholders in the De Benedetti camp listed as "others" – accounting for 2.92 per cent of the total.

The balance consists of CBI with 11.72 per cent, FAI with 3.24 per cent, the Geneva-based Banque Financière de la Cité with 3.24 per cent, and Odyssey Partners, a New York financial group with 0.97 per cent.

Cerus said its claim to control 47.01 per cent assumed all outstanding warrants would be exercised.

In a separate development yesterday Mr Renaud de la Genière, president of Suez, confirmed the confidence expressed on Sunday by Mr Maurice Lippens of Groupe AG that the Franco-Belgian camp had a controlling stake. The aim now was "to get things back on the road" and "assure a return to normal."

KHD sees DM285m loss as group turnover plunges

BY DAVID GOODHART IN BONN

KLOECKNER-Humboldt-Deutz, the troubled West German diesel engine and agricultural machinery group, which announced 6,000 redundancies at the end of last year, has revealed it will probably make a loss of DM285m ($167m) for 1987. It had already announced the cancellation of its 1987 dividend.

The loss includes most of the costs of an extensive reorganisation and redundancy package, which will extend over at least two years. The result for 1988 is expected to be a considerable improvement on 1987, but the group does not expect to be back in profit until 1989.

The group attributed most of its difficulties to the falling dollar, but analysts also point to over-optimistic expansion in the US at a time of stagnating demand.

Reorganisation will also incluedeincreased sourcing of work outside Germany, a restructuring of group finances and rapid modernisation of some plant.

Group turnover for 1987 was down from DM4.8bn to DM4.4bn. The expected loss of DM285m compares with consolidated group earnings in 1986 of DM28.9m, down from DM57.4m in 1985. However, the 1986 result covered a DM163m operating loss.

Royal Trust deposit flows helped by October crash

BY ANDREW BAXTER IN LONDON

DEPOSIT FLOWS into Royal Trust, one of Canada's two largest trust companies, have increased significantly since the October stock market crash, Mr Michael Cornelissen, president and chief executive, said in London yesterday.

This phenomenon, analogous to the increased takings by British building societies (which provide the bulk of loans for home purchase), was "clearly a flight to quality," and was also experienced by other Canadian trust companies and their banking rivals.

Royal Trust had been effected minimally by the crash in terms of its own funds, and although it does not claim to have anticipated the extent of the downturn, had been advising clients whose funds it manages to move into more conservative investments in expectation of a significant market correction.

This meant that clients' portfolios had been cushioned from at least 50 per cent of the effects of the crash, said Mr Cornelissen, who was in London as part of a programme of annual meetings

Meanwhile, the company's C$2bn mutual fund programme, which had been growing fast before the crash, was picking up after three flat months.

INTL. COMPANIES AND FINANCE

Sime Darby interim profits up 73%

BY WONG SULONG IN KUALA LUMPUR

SIME DARBY, the diversified Malaysian group, lifted pre-tax profits by 73 per cent to 133.6m ringgit (US$51.9m) for its first half to December, on turnover up 31 per cent to 1.51bn ringgit.

Apart from the insurance division, which was affected by the stock market crash last October, all sectors reported much improved results, reflecting the general recovery in the Malaysian economy. The group's operations in Hong Kong, Singapore and the Philippines also recorded strong earnings growth. Sime's non-Malaysian operations contributed 35 per cent to group profits.

Profit after tax and minorities was 65 per cent higher at 59.2m ringgit. Sime is raising its interim dividend to 4 cents a share from 3 cents previously.

The results of the group's listed subsidiaries showed that:

Consolidated Plantations achieved an 80 per cent jump in pre-tax profits to 48m ringgit on the strength of higher commodity prices, particularly for palm oil. Turnover rose 23 per cent to 290m ringgit. Profit after tax and minorities was almost doubled to 23.2m ringgit. The interim dividend was raised to 6 cents from 4 cents.

Tractors Malaysia had pre-tax profits of 15.7m ringgit, an increase of 43 per cent. The group benefited from demand for heavy equipment from the buoyant timber industry in east Malaysia. Turnover was 47 per cent higher at 130m ringgit, while net profit rose 56 per cent to 14.8m ringgit. The interim dividend is unchanged at 12.5 cents.

Dunlop Malaysian Industries had after-tax profits of 6.1m ringgit, a near 50 per cent increase, on turnover of 109m ringgit. Its interim dividend is doubled to 2 cents.

United Estates Projects had after-tax profit of 8.2m ringgit compared with a previous loss of 5.2m ringgit. The improvement was due to sharply reduced interest charges arising from repayment of loans. Despite the depressed property market, UEP achieved satisfactory sales due to the strategic location of its Subang Jaya development outside Kuala Lumpur. No interim dividend is declared.

Sime Darby Hong Kong recorded after-tax profits of HK$58m (US$7.4m), an increase of 20 per cent on turnover up 65 per cent to HK$1bn. The company, which distributes BMW and Mitsubishi cars, said margins were squeezed by the higher yen and D-Mark.

Sales, which fell sharply after the stock market crash, have since recovered, the company said. The interim dividend is 6 cents, up from 5 cents.

Acquisition limits first-half rise at Boral

BY BRUCE JACQUES IN SYDNEY

THE A$420m (US$305m) acquisition of Blue Circle Southern Cement and mixed markets for its output held Boral, Australia's premier building products group, to a 13.4 per cent gain in net profits for the half year to December.

Amid big increases in interest payments, depreciation and minority shares of earnings – mostly reflecting the Blue Circle acquisition – earnings moved from A$88.2m to A$100.1m on a 19.2 per cent boost in revenue from A$1.16bn to A$1.38bn.

The interim dividend has been raised from 8 cents to 8.5 cents a share, taking about A$51.2m and maintaining the company's payout rate at a little better than 50 per cent of earnings. Sir Peter Finley, Boral's chairman, said the Blue Circle acquisition was positive for the company in the half but it was difficult to be specific on the exact contribution after interest and associated costs.

The group's interest bill nearly doubled from A$17.6m to A$33.8m in the period while depreciation jumped by 44 per cent from A$30.3m to A$43.6m. The minority share of earnings jumped from A$1.9m to A$6.8m.

Sir Peter indicated that Boral had taken a strategic decision to maintain its gearing at a historically high level of about 52 per cent after funding the Blue Circle bid and the company's interest bill was thus likely to remain near current levels.

He said the company preferred to continue to fund a high level of capital expenditure, about A$114m in the latest half, than to retire debt.

More than A$90m of this spending was on acquisitions or business expansion. The largest included a quarry near Los Angeles, a concrete block plant at Brisbane and concrete roof tile plants in California and Arizona.

Despite a usual seasonal dip in second-half earnings, the result puts Boral well in line to achieve local analysts' forecasts, ranging between A$170m and A$190m, for the full year. This would more than maintain the company's compound growth rate of 16.5 per cent in earnings per share over the past decade.

The directors see some flatter spots in operations for the current half, including road surfacing and civil engineering work, but they are encouraged by a gathering boom in domestic housing approvals. The housing industry accounts for about 25 per cent of the company's business.

The result was after tax of A$92.1m (A$78.2m previously) but excluded extraordinary losses of A$3.4m (A$21.3m).

Herscu in bid for Hooker minority

By Our Sydney Staff

MR GEORGE HERSCU, the flamboyant Australian property developer, is bidding for full control of Hooker, the property and retailing empire he controls as chief executive.

Mr Herscu announced yesterday that his family company, GSH, would offer A$2.30 a share for the 48.5 per cent of Hooker it did not already control. GSH will make the same offer for the 14.7m partly-paid shares Hooker has in issue, bringing the total value of the bid to about A$217m (US$157.6m).

The move had been expected by the market for some weeks, and Mr Herscu pointed out yesterday that the offer level was more than 30 per cent above the company's A$1.75 price "before speculation about a bid pushed up the price."

But yesterday, Hooker shares jumped 9 cents to A$2.35 in Sydney on heavy turnover of 2.3m units, suggesting that Mr Herscu may face blocking tactics in his attempt to take Hooker private.

The bid, which has a 90 per cent acceptance condition, could be vulnerable to another party taking a strategic stake of just over 5 per cent in an attempt to extract a higher price.

Advance by Daikin Industries

By Our Financial Staff

DAIKIN INDUSTRIES, the leading Japanese maker of air conditioners, lifted group net profits by nearly a fifth to Y6.22bn ($48.3m) in the year to last November, compared with Y5.21bn, as sales grew 5.9 per cent to Y262.6bn.

In the year which runs from next month to March 1989, Daikin expects consolidated net profits to rise to Y7bn on sales of Y278bn. The company is changing the start of its financial year, leaving the current four-month transition period in which it forecasts net profits of Y1bn on sales of Y84bn.

Daikin exports a relatively small proportion of its output and has benefited from strong construction activity at home.

On a pre-tax basis, profits were up 23.9 per cent in the latest year to Y14.49bn and are forecast to reach Y2.5bn in the current four months and Y15.5bn for the year which follows.

Static earnings for Sino Land

BY DAVID DODWELL IN HONG KONG

SINO LAND, the Hong Kong property development company controlled by the family of Mr Robert Ng, has reported after-tax profits of HK$172m (US$22m) for the six months to December, against HK$171m for the previous first half, on turnover almost doubled to HK$648m.

Mr Ng has a reputation as one of the most aggressive bull market buyers of property in the territory. The company also dealt in shares in the Hong Kong share market, earning an estimated 20 per cent of operating profits in 1986-87 from such investment. There was no hint in yesterday's announcement that these activities led to exceptional losses linked with the October crash.

The picture is different on Mr Ng's personal account, since he was caught with a massive speculative exposure to Hong Kong's futures market in October. His liabilities are said to have passed HK$1bn but he recently agreed with the Futures Exchange Guarantee Corportion to repay about HK$750m over eight years.

These liabilities have had no direct impact on the performance of Sino Land.

Sino Realty, the holding company controlled by the Ngs that has a 54 per cent stake in Sino Land, reported after-tax profits for the half year of HK$729m, against HK$194m, on turnover up from HK$472m to HK$1.92bn.

Haeco lifts dividend to 48 cents

BY OUR HONG KONG CORRESPONDENT

HONG KONG Aircraft Engineering Company (Haeco), the aircraft servicing concern controlled by the Swire Group, boosted attributable profits for 1987 by 20 per cent to HK$175m (US$22.4m) on a turnover up 10 per cent to HK$1.01bn. The final dividend is 34 cents per share, compared with 29 cents in 1986, lifting the total from 41 cents to 48 cents.

Mr Peter Sutch, chairman, said maintenance facilities are fully committed for the first six months of this year, though prospects for the second half are less certain.

In the recent past, British Airways has been the group's biggest customer, with Cathay Pacific Airways also using Haeco to service its fleet. In 1987, the group lost a long-standing contract to service Gulf Air's fleet when the Middle Eastern airline set up facilities of its own.

INTL. COMPANIES AND FINANCE

Pirelli throws a counter punch

John Wyles and Paul Betts on the European bid for Firestone

FOR AN Italian company, the Pirelli group is unusually sparing in its public comment. So one can only imagine the reaction in its Milan headquarters three weeks ago when Firestone Tire & Rubber of the US announced it had agreed in principle to sell 75 per cent of its tyre business to Bridgestone of Japan for $1bn.

At the very least, alarm and despondency must have prevailed. The Japanese were making off with a prize for which Pirelli had declared itself a suitor only a few days earlier.

Whether or not Pirelli's proposal to Firestone for the two to negotiate the sale of the US company's tyre business was a factor in speeding up the Bridgestone agreement is open to conjecture.

More certain is the fact that the proposed Firestone-Bridgestone deal was a double blow for the Italian tyre and cable manufacturer, run by the elegant, publicity shy Mr Leopoldo Pirelli, 62.

It took out of play the one leading American acquisition which was both financially affordable and practically suitable for Pirelli.

By the same token it transformed Bridgestone from a largely Japanese manufacturer into a potentially important rival in European and American markets.

With Sumitomo in control of Dunlop, the possible arrival of a second Japanese manufacturer has been of concern not just at Pirelli but at other European tyre companies.

Little wonder, therefore, that Pirelli felt bound yesterday to launch an audacious $1.93bn takeover bid for all of Firestone. The bid is the largest attempted foreign acquisition by an Italian company.

While substantially outstripping the cost of Mr Carlo De Benedetti's bid for control of Société Générale de Belgique, the Pirelli move reflects a similar concern to be a key global player in the 1990s.

With its 130 factories in 16 countries, Pirelli is already a highly international company. But it has consistently failed to either build or acquire US assets during a decade of crucial restructuring in international tyre manufacturing.

Since the $12bn-a-year US market takes about one third of the world's annual car and truck tyre production, this is the glaring lacunae in an otherwise successful rebuilding strategy.

Thanks to plant closures, technological innovation and successful new products, the Italian company has been enjoying steadily increasing profits since it ended a decade of losses in 1980.

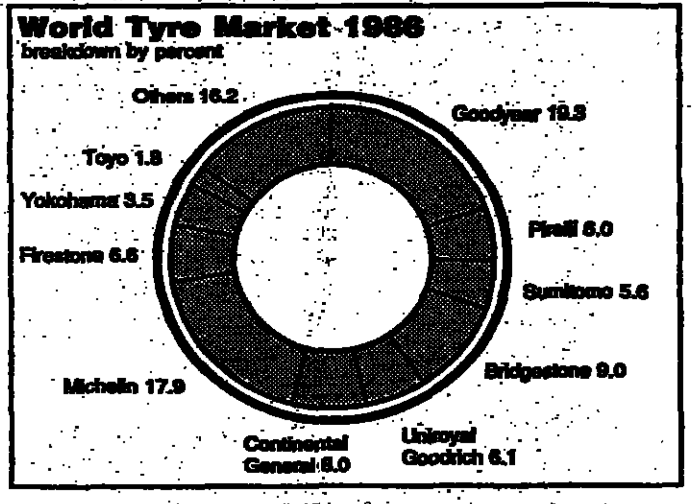
Nevertheless, Pirelli holds only 1 per cent of the US car tyre replacement market compared with Michelin's 10 per cent, Goodyear's 15 per cent and Firestone's 9 per cent.

Its sales of truck replacement tyres yield a somewhat better 4 to 5 per cent share, but this is still less than Bridgestone's 7 per cent and well below Michelin's 18.5 per cent and Goodyear's 22 per cent.

Pirelli does not publish consolidated accounts and its shareholding structure is fragmented.

The Milan-based Pirelli and Company owns about 18 per cent of two different holding groups – one Italian and the other Swiss – which in turn control worldwide operations.

The company publishes "aggregate" net profits which, in the year ended June 1987, climbed 39 per cent to $141m on sales of



$4.7bn. The company is expected to announce shortly that full 1987 sales reached $5.5bn, of which 44 per cent came from tyres.

A successful takeover of Firestone would raise its European market share for replacement car tyres from 10 to 16 per cent, second only to Michelin's 30 per cent. Pirelli would also rise to second place in the truck sector, with 15 per cent compared with Michelin's 40 per cent.

Globally, Firestone-Pirelli tyre sales would exceed $5bn, placing the merged company behind Goodyear and Michelin.

Pirelli's market strategy in recent years has been higher value-added products based on the second generation of its "ultra-low profile" high performance units pioneered in the early 1970s.

Sales appear to have enjoyed the fruits of the boom in demand for cars such as Volkswagen's Golf GTi and the Ford Escort XR3i.

Low-profile radial tyres for truck markets are also being produced out of increasingly automated plants. Pirelli's constant search for higher productivity and lower costs prompted proposals last month to reduce its Italian workforce from 9,500 to 6,500.

Pirelli says that it has "irrevocable" lines of credit with which to finance the Firestone acquisition. Its advance agreements with Michelin should enable it to recoup up to $800m of the purchase price.

The open question at the moment is whether it faces a bidding battle with Bridgestone, the Firestone board or both. Although some New York analysts think that Bridgestone was paying over the odds for just 75 per cent of the Firestone tyre business, one senior executive at another European tyre company claimed yesterday it would be a cheap deal for the Japanese.

In which case, a net purchase price for Pirelli of $1.1bn to $1.2bn for all of Firestone's tyre business would seem to be equally advantageous.

The Michelin tyre company has always had three important characteristics. It is one of the most secretive companies in the world, it has always been a technological leader in its field, and it has always been a do-it-alone company.

But when Bridgestone proposed to team up with Firestone, Michelin could not remain indifferent.

The Firestone-Bridgestone alliance seriously threatened to change the current balance of power in the world tyre market with Bridgestone commanding the lead in Japan, Michelin number one in Europe, and Goodyear at the helm in North America.

So it was not difficult for the French group to back the efforts of Pirelli to try to defeat the Japanese move. But with its traditional low profile, Michelin made it clear yesterday that it was not playing a leading role in the Pirelli counter bid for Firestone.

However, the purchase of Firestone assets from Pirelli, if completed, would represent the biggest acquisition ever undertaken by the French tyre group, which has always opted for internally generated growth.

It would also help Michelin's efforts to increase its penetration of the US tyre market and enhance its ambitious efforts to increase its presence in Brazil.

In North America, in one of the boldest foreign investment programmes undertaken by a French company, Michelin has spent about $1bn since the mid-1970s to build a network of nine tyre plants. At the same time, the company set up a marketing network of about 3,000 independent dealers.

But with Firestone's "Master Care" business it would acquire a specialised network of a further 1,500 dealers, boosting the French group's overall penetration of the US market.

In Brazil, Michelin has already invested heavily in the truck tyre business, with two plants and plans to double production.

Since Pirelli already has a significant position in Brazil, the Italian company would have had difficulties in absorbing the Firestone operations there. However, these operations would short-cut Michelin's efforts to increase its presence on the market.

After a string of heavy losses and major restructuring, Michelin has returned to profit. It broke even in 1985 and reported net earnings of FFr1.9bn ($333.3m) on sales of FFr46bn in 1986.

Profits in 1987 are expected to be sharply higher than the previous year. With its financial confidence restored, Michelin now appears to be keen to embark on an aggressive expansion programme.

Holmen increases dividend as net earnings surge

HOLMEN, THE Swedish pulp and paper group which is Europe's leading newsprint producer, reported a 66 per cent surge in 1987 profits before extraordinary items, to SKr600m ($100m) from SKr362m, Sara Webb writes from Stockholm.

Group sales increased by 20 per cent to SKr7.66bn. The board proposed raising the dividend from SKr2.25 to SKr2.75.

The improvement in profits stems mainly from strong demand for newsprint last year. Holmen believes that prospects for 1988 remain good.

Production at the newsprint operations, which account for nearly half the group's sales, increased last year as full use was made of new capacity at plants.

Mr Gunnar Engman, who succeeds Mr Christer Zetterberg as managing director this month, said the market for newsprint was extremely strong last year, largely because of high advertisement expenditure.

He added that the market for printing grades was expected to remain strong this year.

Almost half the increase in sales came from the acquisition last year of the consumer products division from MoDo, another Swedish forestry group which is the dominant shareholder in Holmen.

Standard Chartered

Standard Chartered PLC
(incorporated with limited liability in England)

US$400,000,000 Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 8th March, 1988 to 8th April, 1988 the Notes will carry interest at the rate of 7 per cent per annum.

Interest accrued to 8th April, 1988 and payable on 6th July, 1988 will amount to US$60.28 per US$10,000 Note and US$602.78 per US$100,000 Note.

Standard Chartered Merchant Bank Limited
Agent Bank

Bank Julius Baer pays more and plans rights

BY JOHN WICKS IN ZURICH

BANK JULIUS Baer, the Swiss bank, is lifting its dividend from 18 per cent to 19.5 per cent for 1987 following a 13 per cent improvement to SFr39.2m ($28.2m) in net profit.

The bank also plans what it described yesterday as an "attractive rights issue." Details will be announced at the annual meeting in June.

In the meantime, the bank's capital is to be raised by a nominal SFr10m to SFr125m.

Baer said that in spite of the stock market crash and the dollar's decline, 1987 was a good year. Net commission income rose by 17 per cent to SFr149m, of which 85 per cent originated from securities business.

Income from foreign exchange and precious metals trading increased by 23 per cent to SFr52m and net interest earnings by 21 per cent to SFr26m. Income from securities held dropped 5 per cent to SFr30m.

Operational profits for the first two months of 1988 were substantially higher than the monthly average for 1987.

The bank's balance sheet total was up 12 per cent to about SFr3.4bn as part of the consolidated assets of the Baer group, which rose to SFr4.3bn.

● Adolph Saurer, the Swiss machinery maker, plans to acquire two textile machinery companies and form a new textile division. Saurer said the merger would reinforce the companies' market positions.

This announcement appears as a matter of record only.

MoDo
Mo och Domsjö AB

£50,000,000

Revolving Acceptance Facility by Tender

Arranger and Agent
S.G. Warburg & Co. Ltd.

Tender Panel Members

Arbuthnot Latham Bank Ltd.	The Bank of Tokyo, Ltd.
Bankers Trust Company	Barclays Bank PLC
Citibank, N.A.	Commerzbank Aktiengesellschaft London Branch
Credit Suisse	Hambros Bank Limited
Kansallis Banking Group	Midland Bank PLC
Morgan Grenfell & Co. Limited	Scandinavian Bank Group PLC
Svenska Handelsbanken PLC	Swiss Bank Corporation London Branch
The Toronto-Dominion Bank	Union Bank of Finland Ltd. London Branch

S.G. Warburg & Co. Ltd.

November 1987

This announcement appears as a matter of record only.

MoDo
Mo och Domsjö AB

£62,500,000

Revolving Credit Facility

Arranger and Agent
S.G. Warburg & Co. Ltd.

Managers

Banque Nationale de Paris	Bayerische Vereinsbank AG London Branch
The Mitsubishi Bank, Limited	PK English Trust Company Limited

Swiss Bank Corporation

Participants

The Bank of Tokyo, Ltd.	Barclays Bank PLC
Commerzbank Aktiengesellschaft London Branch	Kansallis Banking Group

The Royal Bank of Canada

February 1988

LIBRA BANK PLC

EXTRACTS FROM AUDITED ACCOUNTS
Year ended 31st December

	1985	1986	1987
	£'000	£'000	£'000
CAPITAL AND RESERVES	107,584	133,671	140,616
SUBORDINATED LOANS	137,653	126,879	100,901
CASH AT BANKS, MONEY AT CALL AND SHORT NOTICE, CD'S	326,339	293,160	220,326
US/UK GOVERNMENT SECURITIES	134,886	154,711	129,265
LOANS	1,434,232	1,412,146	1,227,322
TOTAL ASSETS	1,967,308	1,965,088	1,672,877
PRE-TAX PROFITS	43,048	43,904	16,735

HIGHLIGHTS FROM FINANCIAL STATEMENTS

- Since year-end the shareholders have provided US$ 450 million in the form of a perpetual subordinated facility to enable Libra to increase its loan loss protection
- Reduction in profit reflects interruption of interest payments from some countries
- Investment banking fees exceeded Libra's total operating expenses
- Capital funds 14.4% of total assets

Shareholders

The Chase Manhattan Bank, N.A. · The Royal Bank of Canada · National Westminster Bank PLC · Swiss Bank Corporation · Westdeutsche Landesbank Girozentrale · The Mitsubishi Bank Limited · Bancomer S.N.C. · Banco Itaú S.A. · Credito Italiano S.p.A. · Banco Espírito Santo e Comercial de Lisboa

Copies of the 1987 Report and Accounts are available from the Company Secretary, Libra Bank PLC, Bastion House, 140 London Wall, London EC2Y 5DN.

NOTICE OF MEETING

TIME ASSURANCE SOCIETY

Registered Office: 80 Union Street, Oldham, Greater Manchester

NOTICE IS HEREBY GIVEN that the Annual general Meeting of the above Society will be held at the Registered Office on Wednesday, 23rd March, 1988 at 11.00 a.m.

AGENDA

1. To receive any apologies for absence.
2. To read the Notice of Meeting.
3. To elect a new Chairman, and a Director of the Trustee.
4. To approve the Minutes of the last Annual General Meeting held on Tuesday, 28th April, 1987 and consider any matters arising therefrom.
5. To receive and adopt the Report of the Committee of Management, and the Accounts for the year ended 31st December, 1987.
6. To receive and adopt the Report and recommendations contained in the Actuarial Valuation of Funds as at 31st December, 1987.
7. To elect Member(s) to the Committee of Management.
8. To re-appoint Auditors and authorise the Committee of Management to fix their remuneration.
9. To consider and, if thought fit, to adopt the following Partial Rule Amendments:-
   (i) New Rule 37 - Membership of the Friendly Societies' Protection Scheme.
   (ii) Appendix - Add new Table WP (Waiver of Premium) and new Table DAB (Double Accident Benefit) with consequent amendment to Rule 9(1).
   (iii) Appendix - Add new Table OL3 (with Profits Whole of Life) and consequent amendment to Rule 9(i).
10. To consider any other allowable business.

D. R. REES
Secretary

U.S. $275,000,000
of which
U.S. $200,000,000 is being issued as the Initial Tranche

The Bank of New York Company, Inc.

Floating Rate Subordinated Capital Notes due 1997

Notice is hereby given that the Rate of Interest has been fixed at 6·8125% p.a. and that the interest payable on the relevant Interest Payment Date, June 8, 1988 against Coupon No. 10 in respect of U.S.$10,000 nominal of the Notes will be U.S.$174·10.

March 8, 1988, London
By: Citibank, N.A. (CSSI Dept.), Reference Agent **CITIBANK**

IVORY AND SIME (GUERNSEY) LIMITED
ATLAS FUND

Global Capital Portfolio	$2
United States Portfolio	$2
United Kingdom Portfolio	£1
Continental Europe Portfolio	DM3
Japan Portfolio	£1
Pacific Portfolio	$2
Gold Portfolio	$2
UK Growth of Income	£1
Sterling Gilt Portfolio	£1
Dollar Bond Portfolio	$2
Global Bond Portfolio	$2
Dollar Portfolio	$2
Yen Portfolio	£1
Deutschmark Portfolio	DM3
Sterling Portfolio	£1

GPA seeks increase in financing

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

GPA GROUP, the international aircraft leasing company based at *Shannon in the Irish Republic*, has surprised creditor banks with a request to increase the amount *of a financing* raised *last* year.

The company, formerly known as Guinness Peat Aviation, raised $1.5bn of finance in a deal signed last September for the purchase of 70 Boeing 737s. At a meeting *on Friday*, the 11 banks which underwrote that transaction were asked to agree to a number of *significant changes, including* an increase in its size to $2bn.

The GPA deal was one of the *most difficult syndicated financings* of 1987 and the 11 banks underwriting the transaction were all left with a far bigger stake than they originally bargained for.

As an apparent sweetener to the underwriting banks, GPA promised a secondary syndication of the financing this year, to allow them to reduce the amount of their undesired exposure.

The banks met on Friday when Citicorp, the bank leading the transaction, proposed a number of changes to the deal.

These are understood to include:

● A $500m increase in the size *of the financing*;

● An increase in the margin by ⅛ percentage point;

● Adjustments to the amortisation schedule, which will reduce *the average life of the financing* but leave a larger "balloon" payment at the end;

● A change in the security of the finance. Originally secured by a floating charge over all the aircraft, it is now suggested that the deal be secured by a fixed charge.

There is said to be strong interest from other banks in underwriting the extra $500m portion and the agreement of the existing lenders is likely to be based on the extent to which this draws in still more banks to reduce their exposure.

GPA said in January that it intended to buy a further 22 of the 150-seat 737 aircraft, estimated to be worth more than $500m.

Bankers said the original financing combined aggressive pricing and an innovative structure, *which put off many potential* backers. "The whole structure was just too ambitious for this particular borrower," one said yesterday.

It is thought that Citicorp, which had no comment yesterday, is hoping that the reductions now proposed in the deal's complexity, and the higher margin, will bring in more banks to the deal.

Lloyds sets up private bank in Geneva

BY WILLIAM DULLFORCE IN GENEVA

LLOYDS BANK, the smallest of the big four British clearers, has set up an international private banking group based in Geneva.

At the end of last year the group, known as LIPB, had *£4.5bn ($8bn) of clients' assets* under management worldwide. It is now organised for growth, particularly in the American zone, according to Mr James Galbraith, who heads the group.

After American Express Bank of New York, which has been using Trade Development Bank (TDB), its Geneva subsidiary, to spearhead its thrust into private banking, Lloyds is the second foreign-owned bank to establish its *international private banking* headquarters in Switzerland.

American Express says client assets under its management worldwide have climbed from $5bn to $12.8bn since it took over TDB in 1983.

Lloyds' decision to establish LIPB was taken in February last year, after a strategic review of all its operations ordered by Mr *Brian Pitman*, the chief executive, in 1986 had identified private banking as an area of opportunity.

The British bank aims at becoming one of the leading providers *of private banking services* on a global basis, Mr Galbraith said.

Switzerland had been chosen as its headquarters, because it was recognised as the foremost international centre for private banking and because of the success of Lloyds' existing operation there.

A recent performance survey of Swiss-based investment funds by Finanz und Wirtschaft of Zurich, covering the year to November 6, ranked four *of Lloyds'* six *funds* first in their respective categories.

Previously Lloyds had been criticised for its conservative investment policy but its early switch from equities to cash and bonds was justified in the post-October crash performance rankings. Clients have placed some SFr500m in Lloyds' Swiss-based funds.

LIPB's target is not institutional investors but wealthy private clients who, in Mr Galbraith's words, "require a banking relationship outside their country of domicile."

He described a typical customer as a 40-year-old entrepreneur with an international lifestyle who is risking his own money in his business. The entrepreneur does not want to take the same *risk* with the income he draws from the business and needs advice on planning his taxes and estate, Mr Galbraith said.

In addition to Geneva, LIPB has an investment management operation in Guernsey, from which it operates investment funds currently valued at $80m – $85m, and is building up capacity in Nassau, the Bahamas, to serve the Americas. It has its own offices in Miami, New York, Panama, London, Zurich, Marbella, Dubai and Hong Kong.

LIPB at present employs between 270 and 280 frontline staff, of whom 120 are in Geneva, and is served by about 300 in back-up offices.

Besley to chair Commonwealth Banking

BY BRUCE JACQUES IN SYDNEY

MR PAUL KEATING, Australia's *Treasurer, has caused surprise* by appointing Mr Tim Besley as chairman of the federal government-owned Commonwealth Banking Corporation.

Mr Besley is chairman and chief executive of Monier Redland, the large building materials group. He has pipped more favoured candidates – including Sir Peter Abeles, chief executive of TNT, the transport group, and Sir Gordon Jackson, former general manager *of CSR, the* resources and building products company – for what is probably the most commercially powerful government appointment

Mr Besley, aged 60, is a former *public servant, who took up the* top job at Monier in 1982 following a stint as head of the federal Department of Business and Consumer Affairs. He is also a director of Amcor, the big Melbourne-based industrial group, and a member of the influential Business Council of Australia, where his most visible contribution has been as a spokesman for business on changes in corporate law.

The appointment may well signal *that* Mr Besley *wants to ease* his way out of the chair at Monier Redland. This would be logical since the company has now been split following a bitter takeover battle between Redland of *the UK, and Mr Alan Hawkins's* aggressive Equiticorp group.

● Mr David Brydon has resigned as managing director of ACI International, signalling that the company's board is finally recognising the realities of the successful A$1.6bn (US$1.16bn) takeover of the group by Beadle, a joint vehicle of the privately-owned Pratt group and BTR Nylex.

Dr Brian Scott, ACI's chair*man, said Mr Alan Jackson*, the BTR Nylex managing director, had been appointed to the ACI board and that further changes were planned later this month to reflect Beadle's control.

Late last month, the ACI board was still telling shareholders not to accept the bid and publicly attacking its former leading shareholders, the AMP Society and Westfield Capital Corporation, for selling to Beadle.

But Mr Brydon said: "As Beadle now controls about 53 per cent of ACI's issued capital and is in a position to move to control the company, it is the proper time for me to leave. It will be far easier for the ACI board to oversee an orderly changeover in management control of the company with Alan Jackson on the board."

Meissner leaves Dresdner Bank

By Haig Simonian in Frankfurt

MR MICHAEL MEISSNER, whose appointment last year as head of international investment banking at Dresdner Bank caused some surprise among West German bankers, has left the bank unexpectedly.

Mr Meissner, who took up his position only last April, was one of three executives just below board level in charge of investment banking. He was specifically responsible for developing Dresdner Bank's international investment banking activities.

He is leaving "by mutual agreement" on account of "differing opinions over business policy," according to the bank, where he will remain officially *employed until the end of this* month.

Leading German banks do not normally recruit externally for such senior positions, though staff have occasionally been poached from domestic rivals, and Mr Meissner's appointment was seen as an attempt by Dresdner Bank to shake up its investment banking activities.

Choosing Mr Meissner, an experienced though abrasive banker who has had a somewhat chequered career, caused *some surprise* in Frankfurt. After abruptly leaving First Chicago's London-based merchant bank, where he was joint managing director, in 1984, he went on to hold less prominent positions at two other London banks.

While its original choice of an outsider was unusual, Dresdner Bank's decision to part company with Mr Meissner so soon verges on the *astonishing*. German banks are not known for rapid hiring and firing and Dresdner is even more benign than most in this respect, according to Frankfurt bankers.

It remains to be seen whether its willingness to recruit externally – viewed favourably in principle by many – will now be diminished. Mr Meissner has yet to be formally replaced, but he is *likely to be succeeded by* Mr Fritz Hlementz, an experienced Dresdner Bank employee.

London and Manchester raises £150m

By Richard Waters

LONDON AND Manchester, the quoted financial services group, has raised £150m to finance further mortgage lending in the UK in an unusual leveraged deal supported by Dresdner Bank.

L&M is one of a group of lenders in recent years whose cheap, wholesale-funded mortgages have provided severe competition for building societies.

Dresdner has provided 4½ per cent of the new money, raised through a specially created subsidiary of L&M, in the form of subordinated debt. This leaves L&M to put up ½ per cent, or £750,000, in the form of equity capital.

A syndicate of 12 banks, including *Union Bank of Switzerland* and Midland, will lend the new company the remain*ing £142m at 40 basis points* over London interbank offered rates.

The subordinated debt element of the package leaves L&M with a highly geared interest in its new subsidiary, said Mr Tom Pyne, finance director. Freedom from the capital restraints imposed on banks and building societies enables L&M to adopt this capital structure, he said.

Nevertheless, L&M claims that its capital more than covers the risks of domestic mortgage lending, since bad debts are said to be running at well under 0.1 per cent.

L&M, a relatively small lender with a mortgage book of £375m, sells its mortgages through a direct sales force of 1,000 and a network of 38 estate agency branches.

Euroyen paper issues delayed

PERMISSION for Japanese residents to issue Euroyen commercial paper, which had been widely expected to be granted next month, is now likely to be delayed until the legal status of CP is clarified, Reuter reports from Tokyo.

Ministry of Finance officials said that Euroyen CP could be legally classified with corporate bonds, commercial bills, and other securities, though *negotiations* between *the* Tax Authority and the MoF on the issue were still continuing.

If Euroyen CP issues are classed as securities, banks will not be allowed to deal in them *under Article 65 of the* Securities and Exchange Law, which strictly separates the *business of securities houses* from that of banks.

Eurosterling in demand but no further issues

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

INTERNATIONAL bond markets had a quiet day yesterday with a very small number of new issues emerging and most secondary trading becalmed, though sterling bond dealing was active.

The pound's spurt above DM3 and optimism about the Budget a week from today pushed gilt-edged securities up 1 point. Eurosterling bonds also saw good demand, including retail buying from the Continent, for both seasoned and recent issues. Price gains of ⅜ to ¾ points, however, lagged those of the government market.

No issuer was emboldened to tap the market, however, and there were no straight issuers in the dollar market, which returned to a narrow trading band dictated by uncertainty about the direction of the US economy and interest rates.

Though it recovered its poise after Friday's sudden decline in New York on higher than expected employment figures, the dollar sector then showed virtually no movement either way.

The only dollar-denominated issue to emerge was a repackaging of Japanese ex-warrant bonds into a $33.2m five-year floating-rate note issued in the name of Flash VI, a special purpose vehicle, by Sanwa International. It has a margin of 23 basis points above Libor and a price of 100.1.

INTERNATIONAL BONDS

In West Germany, France's Compagnie Financière de Crédit Industriel et Commercial made a DM300m 10-year issue priced at 100⅝ with a 6¼ per cent coupon led by Morgan Stanley. Though it was thought fairly priced it did *not see huge demand and was* quoted just within its 2½ per cent fees.

D-Mark bonds fell up to ½ point in early trading in response to Friday's losses in New York, and proceeded to trade listlessly with little demand and small volume.

In Switzerland, Polly Peck International, the UK-based trading company, made a five-year issue of at least SFr50m, priced at par with a 5¾ per cent coupon by SG Warburg Soditic.

Swiss franc bonds traded quietly and showed little price movement. The SFr150m 5¾ per cent issue by Bond Finance ended its first day's trading at 99¼ compared with a par issue price. Sweden's SFr200m 5 per cent issue moved to 100½, half a point below issue price, and American Medical International's SFr100m 5 per cent issue opened at 98½ but moved up to 99, still two points below issue price.

● Abbey National Building *Society is to have a $750m US* commercial paper programme with Goldman Sachs and Shearson Lehman Brothers as dealers.

Dutch to restrict bid defences

BY LAURA RAUN IN AMSTERDAM

DUTCH COMPANIES' notoriously protective anti-takeover defences will be gradually dismantled to prepare for the 1992 completion of a single European market in goods and services, *under the proposals recently* unveiled by the Amsterdam Stock Exchange.

Hostile takeovers are virtually unknown in the Netherlands and share prices are low in relation to earnings – thanks to anti-takeover weapons that are among the most restrictive in the world. However, the exchange has become increasingly worried that the result may be to impede efficient capital formation, coddle management, *limit shareholders'* rights and depress price-earnings ratios.

Baron Bouwdewijn van Ittersum, chairman of the exchange, believes that the Netherlands' financial markets must offer capital seekers and providers yields that are at least as attractive as those elsewhere.

From July 1, companies seeking a bourse listing for the first time will have to comply with a first phase of tighter rules, while those already listed will have until January 1, 1991, to fall into *line*.

The bourse also hopes to institute by July 1 a reporting *requirement obligeing companies* to make a public announcement when a stake of 10 to 20 per cent in another concern has been acquired. This is in anticipation of a similar directive by the European Community.

Under the first phase of curbs, preferred shares will be limited to 50 per cent of total capital outstanding unless shareholder approval is explicitly obtained. Layers of protective defences – *which can amount to "multiple* locks on the doors" – will be limited to only one in addition to preferred shares.

Share certificates that are not convertible into voting shares will be banned. Other anti-takeover defences will be studied further with the aim of recommending measures by January 1 1989 and compliance by 1991.

Baron van Ittersum wants to restrict protective defences to *those that* give companies under attack time to weigh carefully the interests of all concerned, that are well publicised, and that are approved by shareholders.

Under a second phase of self-regulation, to be implemented in consultation with the business community, the stock exchange hopes to see such temporary weapons as "poison pill" and "crown jewel" disposals banned during a public bid. Control of preferred *shares, priority shares* and share certificates should be distanced from management, the bourse believes.

Still to be evaluated are limits on shareholders' voting rights and holding constructions used to safeguard equity. Philips, the big Dutch electronics group, has implemented both.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 7

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	96¼	96⅝	-0¼	-0⅜	8.62
All Nippon Air 9⅛ 97	100	†99⅛	99⅜	-0¼	-0⅝	9.44
American Brands 8⅞ 92	150	99⅜	99⅞	-0⅛	-0⅞	8.99
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	102¼	102⅝	0	-0¼	4.80
Belgium 4⅝ 94	45	97¼	97⅝	-0¼	-0¼	5.12
E.I.B 4⅝ 94	40	97⅝	97⅞	0	-0⅞	5.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price

† Only one market maker supplied a price

Straight Bonds: [illegible]

Floating Rate Notes: [illegible]

Convertible Bonds: [illegible]

Video and hi-fi shortfall restrict BSR growth

BY ANDREW HILL

BSR International, the Hong Kong-based electronics group listed in London, announced pre-tax profits for 1987 up 38 per cent at £16.4m, against £11.9m in 1986.

Disposals in the next year will take BSR out of the mass consumer market, allowing the group to concentrate on its core businesses, electronics – mainly power conversion equipment – and communications.

Mr Brian Christopher, chairman elect and chief executive, said that yesterday's figures, slightly below most forecasts, were held back by a poor performance from the group's sound and vision sector.

The board had expected trading profits of £2.4m or £2.5m, but the division made only £800,000.

The video and hi-fi subsidiary, dbx, will probably be sold within the next few weeks.

BSR also plans a £40m or £50m November flotation for Swan Housewares, which makes household electrical products. The integration of Swan and Girmi, the Italian housewares company purchased last October, should be complete by November and BSR hopes to keep a 40 per cent stake in the combined company.

Operating profits from the electronics sector rose to £11.1m (£7.8m) and the communications sector, which produces cellular telephones, satellite communication systems and light emitting diode (LED) display boards, increased profits to £2.3m (£800,000).

Total turnover for the group dropped to £209.5m (£348.5m) following the October sale of Capetronic, consumer electronics subsidiary, and the disposal of Tenby Industries, electrical and engineering group, by public flotation in 1986.

The group now averages exchange rates for the year. At year-end rates 1987 profits would have been £15.2m (£11.7m) before tax.

Tax holidays in the Far East and previous tax losses in Europe helped keep the tax charge down to 4.3 per cent (10 per cent) and earnings per share increased from 6.44p to 9.42p. The directors are recommending a final dividend of 2.35p making a total of 3p (2.7p) for the year.

BSR recorded extraordinary gains of £4.6m, principally from the disposal of its remaining 40 per cent stake in Tenby Industries and 50 per cent of X10, switching systems distributor.

Mr Bill Wyllie, chairman, will be succeeded by Mr Christopher at the forthcoming annual meeting.

● comment

The planned sale of dbx will finally take BSR out of the hi-fi market, distressing thousands who owned a BSR turntable in the old company's heyday, delighting even more who have watched the group's slim down to become an electronics and communications specialist. As a designer of custom-built high and low-voltage power conversion systems for everything from X-ray machines to nuclear plants, and a player in the growing market for satellite communications and cellular telephones, BSR looks set for a strong future in the area its directors know best. The board is aiming for a 60-40 split in turnover between the electronics and communications divisions and, with order books filling fast, foresees increased margins in both areas this year, as well as possible complementary acquisitions. Yesterday the shares dipped 2p to close at 85p and pre-tax profits of £20m and a tax rate of 8 per cent would put them on a prospective p/e of about 7.5, good value for the sector.

MS Int directors lift stake to 5.6%

By Clay Harris

THREE directors of MS International have raised their stakes in the mechanical and engineering group which is fighting a £24m takeover bid from Dobson Park Industries, the mining equipment and industrial electronics company.

The purchase of 100,000 shares on Friday at an average price of 123p raises MS directors' aggregate beneficial interest to 3.4 per cent. They also have non-beneficial interests totalling 2.2 per cent.

Although MS shares yesterday fell 6p to 120p, the market price is still considerably above the 91p value of Dobson Park's shares-and-cash offer. The bidder's shares lost 1p to 102p. Dobson Park has until Friday to increase its offer.

United Scientific

United Scientific Holdings, the defence equipment group, said yesterday that it might launch a takeover bid for Varo, a Dallas-based night vision equipment manufacturer.

USH said it approached the Varo board with an offer of $17.50 per share in February but was rebuffed. It now says that it may launch a tender offer if it cannot reach a merger agreement. The British company already owns Optic Electronic - a Dallas-based company with similar interests to Varo - and it hopes to combine the two groups.

USH has built up a 6.5 per cent stake in Varo over the last three months at prices of between $10.50-$12.50 per share. A full bid at $17.50 per share would value Varo at $77m.

Doubled Persimmon profit beats forecasts

BY ANDREW HILL

Persimmon, housebuilder, more than doubled pre-tax profits to £12.6m for the year to end-December, and increased gross profit margins to 17.1 per cent (13.1 per cent), well ahead of most expectations.

The York-based group completed the sale of 1,714 houses in 1987, against 1,215 in the previous 12 months, at an average selling price of £42,992 (£38,198), and increased turnover to £73.7m (£46.4m).

The group has already made 1,200 forward sales for 1988, and expects to top 2,000 by the end of the year.

Mr Duncan Davidson, chairman, said the growth in average house prices was likely to continue at about 15 per cent, with East Anglia one of the fastest growing areas.

The group holds a land bank of about 9,000 plots, which should supply about four year's demand.

Mr Davidson said that the rising cost of land meant Persimmon was increasingly taking options to buy land it might need in the long term, rather than buying it at inflated prices.

Persimmon now has 11 companies, having recently opened new businesses in the Thames Valley and in south-east and north-west England.

Mr Davidson said yesterday the company was able to take on residential developments in most areas of strong demand: "Our operating businesses really can cover most of those areas of England and central Scotland we want to be in."

Earnings per share rose 86 per cent to 13p (7p) and the directors are recommending a final dividend of 1.5p, making 2.25p (1.575p) for the year.

● comment

Persimmon's figures beat almost all City expectations, with every established operating company producing record profits. The group's managers – mostly born and bred in the regions they manage – seem ideally placed to make shrewd deals for the company: only last week Persimmon bought a Scarborough property developer for £1m, valuing the land which can be developed immediately at £50,000 an acre – about half the going rate. Such deals should boost Persimmon's profits again this year, with well over 2,000 sales likely and margins set to improve. Gearing rose from 36 per cent to 53 per cent last year as the group expanded, but the directors are adamant that this is short-term debt and forward sales cover the £13m borrowings at least three times. Analysts have increased their 1988 profit forecasts to about £17m, or £18m before tax, which puts the shares – up 7p to close at 159p last night – on an undemanding multiple of about 9.

Walter Lawrence buys

BY FIONA THOMPSON

Walter Lawrence, housing development and construction company, has paid $4.7m (£2.61m) to acquire a 51 per cent stake in West Venture Developments, a southern Californian housing developer.

Walter Lawrence is to purchase the remaining 49 per cent at some period between two and seven years from now. The price for the outstanding 49 per cent will be six times the average of West Venture's after-tax profits for three years prior to the buy-out.

Lawrence has been guaranteed a profits share of not less than $3m for 1988. In 1987, West Venture made pre-tax profits of $3.2m. Net assets at the end of 1987 were $2.5m.

West Venture operates mainly in the Antelope Valley and Great San Bernadino areas of southern California.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
BSR	fin	2.35†‡	June 3	2.1	3	2.7
Greggs	fin	5	May 27	3.7	7.5	5.7
Heywood Williams	fin	6†	-	5	9.5	7.75
High-Point Servs	int	2	Apr 11	1.75	-	4.5
Low & Bonar	fin	4.15	May 9	3.6	6	5.35
Palma Group	fin	2	July 1	1.68	3	2.5
Parker Knoll	int	7	Apr 22	5	-	18
Persimmon	fin	1.5	-	1.05†	2.25	1.58
Sumit	fin	3	-	1.2	4	3.7
Wyevale Garden §	fin	2.17	-	-	2.9	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ‡Third market. ‡Gross throughout.

Consumer switch boosts Greggs

BY PHILIP COGGAN

THE BRITISH public is combining its taste for healthier breads such as wholemeal and crusty white with an increased appetite for cream buns and confectionery according to Greggs, the Newcastle-based bakery retailer.

Greggs has benefited from the shift in consumer taste away from supermarket sliced white bread and towards freshly-baked products. The company was able to announce a 27 per cent increase in pre-tax profits to £4.27m (£3.25m) for the year to December 26.

Turnover was up 11 per cent to £63.1m (£56.8m) but investment in more efficent plant helped reduce unit costs. Thirteen new shops were opened in 1987 and six were closed or sold; 19 were refitted to the company's new design.

Mr Mike Darrington, managing director, said sales in existing shops rose by 6.5 per cent and the rest of the increase came from new shops and acquisitions.

However, one acquisition - in Enfield - had disappointing results and the division is in the midst of a comprehensive reorganisation and refurbishment programme. It is expected to make a further loss this year.

Greggs had around £4m in cash on the balance sheet and said it will be able to fund this year's capital expenditure of around £5m from cash flow.

After tax of £1.58m (£1.31m), earnings per share were 33 per cent higher at 24.8p (18.7p). The board is recommending a final dividend of 5p (3.7p) making a total of 7.5p (5.7p).

● comment

Mild winters and cold summers are good news for retail bakers - so given the British climate, Greggs should be coining it for years. Should the unthinkable happen in 1988 - and the sun start to shine - Greggs short term growth might be limited. But the long term prospects for the group are good. If the fashion for healthier food continues, fresh baked bread sales will continue to rise; if the British return to loving carbohydrates, Greggs can concentrate on its sticky buns and cakes. Greggs shops are concentrated in only a small part of the country, so there is plenty of mileage to be gained from opening stores in new areas and cash-flow is more than adequate to cover the company's expansion programme. The shares are solid, rather than exciting investments, on a prospective p/e of 13.5, assuming pre-tax profits of £5m this year.

Coloroll in for surprise – Norcros

BY CLAY HARRIS

Norcros, building materials and packaging group, threatened yesterday to bid for Coloroll if the home furnishings company tried to use its 2 per cent stake to launch a hostile takeover bid for Norcros.

"If they have any intention towards us in terms of a bid, we could give them a big surprise," Norcros warned.

Revealing his company's 2 per cent stake, twice the level disclosed last week in response to a formal inquiry from Norcros, Mr John Ashcroft, Coloroll chairman, said yesterday: "We have the shares. They are standing at a good price, and we are reviewing our options."

Norcros, however, indicated it would swiftly turn the tables if Coloroll pounced. Coloroll has a market capitalisation of nearly £200m; Norcros is more than twice the size at £563m.

Yesterday's warning shot towards Coloroll followed the latest swirl of takeover speculation to bedevil Norcros, which last April only narrowly defeated a £540m bid from Williams Holdings, the building products company.

Williams, which still holds 4 per cent of Norcros, has refused to discuss its intentions. However, it is believed to be less likely to bid again in the wake of subsequent agreed purchases of Crown Paints and Polycell from Reed International and another paint group – Berger, Jenson and Nicholson – from Hoechst.

Norcros recently formally asked BTR, the conglomerate which has also been rumoured as a possible predator, whether it had held any shares. BTR said it did not.

Norcros's sensitivity to stake-building mirrors the run-up to the Williams' bid last year. In February 1987, Norcros's close scrutiny of its share register discovered that Bunzl, the paper and plastics group, had used 21 separate accounts to build a 2.6 per cent stake.

Although Bunzl subsequently sold the stake at a profit, its disposal was swiftly followed by Williams' bid, which won 48 per cent acceptances.

Unlike the Bunzl discovery, however, Norcros had no direct evidence of unusual activity before launching its latest beneficial ownership inquiries to Coloroll and BTR under Section 212 of the Companies Act. The requests were based only on press speculation, and Coloroll initially refused to answer.

Separately, Norcros expects shortly to announce the appointment of a chief executive to replace Mr Terry Simpson, who was dismissed in November after a boardroom row. His successor is expected to take over by April 1. Mr Simpson, ironically, is soon to become a divisional managing director at Bunzl.

John Ashcroft, chairman and chief executive of Coloroll

Norcros shares yesterday fell 2p to close at 425p, while Coloroll shares rose 2p to 215p.

Electronics businesses sale planned by Low & Bonar

By Maggie Urry

Low & Bonar has decided to sell its electronics businesses following disappointing results from the division in the year to November 1987. The company will concentrate on its packaging, plastics and textiles divisions.

Group pre-tax profits rose from a restated £18.8m to £20.6m, helped by a one-off £1.7m pension fund rebate. At the earnings level, the impact of shares issued late in 1986 held the per share increase to 1 per cent at 17.5p.

Electronics division pre-interest profits fell from £4.2m to £1.6m - the UK business being the culprit with a swing from a £2.8m profit to a loss of £128,000.

Mr Roland Jarvis, chief executive, said he hoped the sale of the five electronics subsidiaries, valued in the balance sheet at £20m, would raise £35m to £45m. He said there were more opportunities for growth in and greater logic between the group's other areas. They are all based on polymer technology and are all capital intensive. The money raised from the sale would be spent on acquisitions.

The plastics division doubled pre-interest profits to £3.5m, with a particularly strong performance in Europe.

Mr Walter Telfer, finance director, said year-end gearing at 34 per cent met the group's target. Since then the sale of a plastics company had raised £4.5m. The buying in of the Canadian minority would cost £17.5m, but once the electronics division was sold the group would have net cash.

The final dividend of 4.15p net (3.6p) makes a total of 6p (5.35p).

● comment

As a supposed growth company Low & Bonar has had its setbacks. It is not long since electronics was to be the exciting area of growth and the sale proceeds are unlikely to repay the money, effort, and shareholder goodwill squandered in building up the division. That said the remaining businesses do appear to have a coherent logic, are at the high-technology end of their industries with good margins. This year should see a resumption of growth, if only because the cash raised from the electronics sale should earn a better return than the companies did and start-up losses are eliminated, though lacking the pension fund rebate. The tax charge should stay below 30 per cent for a couple of years yet, with help from the buying in of the Canadian minority. Earnings per share should reach 23p this year, to give a prospective p/e of about 10. The management has some credibility to regain but that is balanced in the rating by bid hopes, particularly for the time when the sale proceeds come in.

Plessey acts as white knight in bid for Canadian defence group

BY DAVID THOMAS

Plessey, the British electronics group, is seeking to enter the Canadian defence market through a C$100m (£44.41m) bid for Leigh Instruments, an Ottawa-based defence electronics manufacturer.

Plessey has been invited to act as a white knight by Leigh, which is the object of a hostile bid from IMP, a Canadian aerospace manufacturer.

Plessey's offer fits into the company's strategy of expanding its defence and semiconductor operations. The Leigh bid is Plessey's third acquisition initiative in five months and seems likely to be followed by other bids in the coming months.

The City reacted cautiously to the announcement, welcoming the move as a further step in Plessey's new strategy, but with some caution expressed about its greater dependence on the North American defence market.

Canada has recently embarked on a sizeable expansion of its defence spending, although some observers believe this might be pared back after the general election expected later this year.

Mr Alan Jones, head of Plessey's defence business, said the company intended to use Leigh as a platform to sell its communications, anti-submarine and avionics equipment in Canada. He estimated that Plessey would be able to bid for £500m of Canadian defence contracts over the next five years.

Plessey would also help Leigh sell its ship-board communications and aircraft navigational systems – together accounting for two-thirds of its sales – outside North America.

Leigh, which last year doubled its pre-tax profits to $10.2m on sales up 37 per cent at $52.7m, has been seeking a partner to expand its operations.

It recently received the hostile bid – worth about $80m – from IMP, a private company based in Nova Scotia, which valued each ordinary share at $5.25. IMP holds about 9 per cent of Leigh's shares.

Plessey's cash bid values each Leigh ordinary at $6.50. Leigh's shares have been trading at about $5.75 since IMP's bid.

Mr Jones said there was no significant product overlap between Plessey and Leigh, which employs 800 people. Leigh, which has about $17m in cash, last year reported earnings per share up 19 per cent at $0.44.

Acquisitive Heywood Williams over £20m

BY DAVID WALLER

Heywood Williams Group, Huddersfield-based glass and aluminium specialist, yesterday reported pre-tax profits of £20.2m for 1987 compared to a restated £10.55m in 1986. Earnings per share advanced 51 per cent on an undiluted basis, from 19.4p to 29.2p.

At the same time, Heywood announced a move into the motor vehicle windscreen market with the acquisition of Autowindscreens (Chesterfield) for £13.8m in a mixture of cash and convertible shares.

Yesterday's figures included a full year's worth of merger accounted profits from Thermax, purchased in April – and from UBM Glass and HAT Glass, which made only a three months contribution in 1986. Also included are profits from five other companies bought during the course of last year.

Some 55 per cent of turnover of £230.4m (£147.5m) derived from the sale of glass products, 30 per cent from aluminium, and the balance from the US. Of the £21m (£11.5m) pre-interest profit, 80 per cent came from glass and 20 per cent from aluminium – the US barely broke even after what was described as a poor year.

Mr Ralph Hinchcliffe, chairman, said that the group's US management had been over-stretched by ambitious expansion plans. These had now been scaled back with the closure of three manufacturing units and the abandonment of the warehouse distribution system through which Heywood used to supply DIY conversion kits for the pick-up trucks.

Costs of the restructuring amounted to approximately £700,000, charged in the accounts as part of extraordinary items totalling £951,000. The balance relates to possible litigation on contracts going as far back as 1968.

Mr Hinchcliffe said that "substantial growth in turnover and profits" came from almost all the businesses in both the glass and aluminium divisions. The current year had started "strongly ahead" of 1987, with the first two months "well ahead" of budget.

Autowindscreens made pre-tax profits of £1.8m (£743,000) on turnover of £10.8m (£8.5m) in the year to June 30 last year.

Mr Hinchcliffe said that Heywood intended to make further acquisitions – but that monopoly considerations may force the company to seek a "third leg" in an area of the building services sector other than aluminium and glass.

A final dividend of 6p is proposed, making 9.5p for the year against 7.75p in 1986.

● comment

Although yesterday's figures contained no surprises – being almost exactly in line with City expectations – they provided solid evidence that Heywood Williams is well positioned in growth sectors of the market for glass, and capable of pulling off good acquisitions to boot. For example, Thermax, a manufacturer of toughened glass used in domestic applications such as cooker-doors, oven hobs and shower-doors, cost only £21m – just five times analysts' estimates of its contribution to Heywood's 1987 pre-tax profits. Sadly for Heywood, its position as the UK's largest glass merchant – with 25 per cent of the market after the Autowindscreens purchase – means that further acquisitions in the sector would attract the attentions of the Office of Fair Trading. Organic growth alone should guarantee £30m this year, putting the shares on a prospective p/e of 9. At this level – given an ungeared balance sheet and prospective yield of over 5 per cent – the shares, up 2p to 293p yesterday, seem attractive.

Virani £88m property buy

BY CLAY HARRIS

Control Securities, the property and leisure company headed by Mr Nazmu Virani, is to pay Mountleigh Group £88m in cash and shares for 17 freehold and four long leasehold properties.

The share issue will increase Mountleigh's equity stake in Control from 4 per cent to 17.5 per cent of enlarged capital. It also clears the way for Control to resume payment of dividends after a three-year hiatus.

Along with last week's agreed £200m disposal of Beaufort House, a City of London office block, the £88m cash proceeds of yesterday's sale will reduce Mountleigh's gearing to less than 30 per cent, according to Mr Tony Clegg, chairman.

As part of the deal, Control will become the ultimate landlord of 800 US Air Force personnel stationed in Suffolk. Mountleigh's purchase of the three housing estates in 1982 was a key step in its transformation from textile manufacturer to one of the decade's most successful property developers.

Yesterday's deal valued the military estates at £26.5m, compared with the £5.25m Mountleigh paid to the Post Office pension fund just over five years ago. Annual rental income has risen from £734,000 to £2m.

The sale also included 20 commercial and retail properties, nearly evenly split between London and elsewhere in Britain. Apart from the Suffolk estates, the properties produce annual rental income of £4.2m. Most have early reversions.

Apart from its ambition to buy more leisure assets, such as hotels and public houses, Mr Virani said Control would continue to concentrate on trading in properties valued between £100,000 and £10m.

This niche market was especially attractive to fellow Britons of Asian descent, Mr Virani said. They would be more likely to approach Control to buy suitable investment properties than they would other companies.

Birmid says defenders should be compensated

BY MICHAEL SMITH

Birmid Qualcast, the home products company, believes that companies which fend off unwelcome takeover bids should be compensated for the costs of their defence.

Mr Tommy Macpherson, chairman, suggests in the company's annual report that a system should be devised whereby unsuccessful bidders should compensate defending companies "for the very material costs which they have incurred".

His suggestions follows Birmid's success last month in fighting off a £375m bid last month from cement company Blue Circle.

Birmid has not put a figure on its defence costs but they are believed to amount to more than £2m. This is likely to be taken as an extraordinary loss in this year's accounts.

The managements of Blue Circle and Birmid are to meet on Thursday for the first time since the bid failed. The cement company owns 43.8 per cent of Birmid's shares.

Mr Macpherson says that "a method must be sought to frustrate the activities of arbitrageurs who ignore the merits of bid or defence, and seek to ensure the success of a bid only for a quick dealing profit".

He also says that "it cannot be right that the validation of purchases and acceptances is a matter for the offerer alone".

A working party of the Takeover Panel is already considering whether independent scrutineers should supervise the counting of votes and shares in bid battles.

Last week the panel announced that, in the meantime, the counting will be supervised by receiving banks, which are employed by bidders. Previously, purchases of shares have been counted by the bidder's broker while acceptances have been counted by the receiving bank.

In the Birmid battle this led to confusion and was one reason why Blue Circle initially claimed victory in error.

Royal Ins lifts stake in estate agency offshoot

By Nikki Tait

Royal Insurance, UK composite insurer, plans to raise its minority stake in Fox Property Services, one of its three main estate agency chains to 65.4 per cent. Yesterday, it posted a recommended partial tender offer for an additional 16.7 per cent of the equity.

The UK composite said the move reflected the growth in Fox itself and the impending implementation of the new Financial Services Act. Royal already holds 100 per cent of Oyston, its smallest chain, but also has a minority interest in W H Brown, with 225 outlets. Fox is its largest chain with 250 offices.

Royal was unable to supply full details of the tender offer last night, but said it takes the form of new shares in the UK composite or a full cash alternative. Full acceptance of the offer would involve the issue of 3.58m new Royal shares – worth around £14.8m at yesterday's closing level.

Palma under pressure in 22% advance

BY ALICE RAWSTHORN

Palma Group, the hosiery, knitwear and clothing manufacturer, yesterday unveiled a 22 per cent increase in pre-tax profits to £2.1m for 1987 despite a poor performance from its main customers – the multiple retail groups – towards the end of the year.

Mr Peter Bailey, group chairman, said the business had fared well until the fourth quarter when the disappointing sales of the multiples depressed its turnover growth.

As a result sales rose to just £18.4m (£16.5m) during the year. The group paid £351,000 (£583,000) in interest and £588,000 (£436,000) in taxation. Earnings per share rose to 7.47p (6.19p) and the final dividend is 2p, making 3p (2.5p).

The bulk of Palma's turnover came from Pex, a manufacturer of socks, which derived half its sales from supplying retail multiples like Marks and Spencer and Storehouse.

Mr Bailey said Pex suffered from slow sales in the closing months of the year but described the present pace of business as "excellent". Palma would invest more than £1m in re-equipping Pex this year thus increasing capacity by 20 per cent.

Montfort, a knitwear manufacturer, was also faring well. Over the past three years Palma had ploughed £1m into a modernisation programme, the benefits of which were filtering through.

In November the group bought Clothkits, which sells clothing in kit form through mail order and a small chain of shops. Since the acquisition Palma had concentrated on strengthening Clothkits' management. It was reviewing the computer and distribution systems.

For the longer term Palma planned to expand Clothkits' retailing activities. The number of shops would be increased from seven to 10 this year and to 20 by the end of 1989. Mr Bailey said that Clothkits was performing "very well" and that it should return to profit this year.

● comment

The City has been somewhat circumspect towards Palma ever since it was burnt so badly when reversing into Montfort four years ago. Those problems are now safely behind it and Palma has been able to concentrate on nurturing its core businesses. The sluggish sales last autumn – when the poor performance of the multiples was compounded by its own move upmarket – gave the group an opportunity to prove how well it could control the business. Profits should rise to £3.2m this year, with earnings per share of 9p. In Clothkits the company has bought an appealing brand name. Moreover it has seized its chance, not only to diversify away from manufacturing, but to dispel the City's doubts by staging an acquisition successfully.

KLP purchase

KLP Group, sales promotion, is buying Infomedia (Middle East) for a total of up to £950,000. Infomedia, based in Nicosia, Cyprus, provides direct marketing and related services to clients in the Middle East.

The initial cash payment will be £380,000, followed by further payments of up to £570,000 dependent on profits in the next three years.

Williams Hldgs to sell sealants side for £7.5m

By Michael Smith

Williams Holdings, the industrial group, is to sell sealants company Elastomers to Products Research and Chemical Corporation, of the US, for £7.48m.

Sealants, part of the Berger, Jenson and Nicholson paints group which Williams bought two months ago, made pre-tax profits last year of £826,000 and its net assets on December 31 were £1.63m.

Williams said the disposal was likely to be the first of several companies which did not fit the company's long term strategy. Elastomers makes and supplies specialist sealants for the aerospace, glazing, electrical, gas and engineering industries.

Tough line from Treasury over unhonoured BP share payments

BY STEVEN BUTLER

TOUGH letters warning of possible legal action have been sent to British Petroleum share applicants who have failed to honour cheques written to pay for their subscriptions in October.

Some 270,000 share applicants had originally defaulted on their commitment to purchase the shares, which plummeted in value following the October share price collapse, but less than one per cent now remain in default, the Treasury said.

One letter from the Treasury Solicitor has been sent to applicants for more than 2,500 shares, and warns that legal proceedings could commence by March 14 to recover the amount due.

A second more mildly worded warning was sent by the Registrar's Department of the National Westminster Bank to subscribers for lesser numbers of shares. The letter says that applicants should pay the first instalment on the shares to avoid legal action.

UK COMPANY NEWS

Christmas boost for Wyevale

BY FIONA THOMPSON

ANIMATED dwarfs and Father Christmas dropping in by helicopter helped Wyevale Garden Centres boost pre-tax profits by 27 per cent to £754,000 for the year ended December 31 1987. The advance from £594,000 was made on sales 25 per cent ahead at £7.94m compared with £6.36m.

"We made a big effort at Christmas, selling trees and top Norwegian quality decorations," said Mr Brian Evans, chief executive. This helped to lift the traditionally quiet months of the year.

Wyevale, one of the major specialist garden chains in the country, has 16 centres throughout England and Wales, ranging in size from two to 14 acres. The company is waiting for planning permission on three further sites, in the West Midlands, which it hopes to open for trading next spring.

All bar one of the 16 centres have franchise operations alongside the sites, including swimming pools, garden sheds, greenhouses, double glazing and restaurant facilities. Franchising accounted for £240,000, or 32 per cent, of pre-tax profits. Pets are also on sale at eight centres, five on a franchise basis, three operated by Wyevale.

Most of the rise in sales was volume based, said Mr Evans. "We had more customers coming through the doors, about 10 per cent up on last year". Apart from opening new sites, the company is looking for existing businesses to acquire, said Mr Evans. "Gardening is a popular hobby. There are many possibilities for growth."

The tax charge was £207,000, compared with £204,000 last time, and interest payable was £104,000 (£114,000). Earnings per share rose to 9.5p, against 7.9p. A final dividend of 2.17p was recommended, making a total for the year of 2.9p.

● comment

These figures are jolly good when you consider how rum the weather was last spring and summer. Clearly Wyevale's moves to become a garden centre with a difference are paying off. With the added attraction of rabbits and parrots, restaurants and wood burning stoves, a visit to a centre becomes a Sunday outing rather than just somewhere to buy the odd plant. To keep up the good growth rate the company will need to continue its policy of developing new sites or acquiring existing ones - and there is certainly not a shortage of the latter. This year has started pretty well, the sun pulling the gardeners out with a vengeance. Forecasts of just over £1m pre-tax profits produce a prospective p/e of 14, fairly rated.

HS Canada up 17%

Hawker Siddeley Canada, subsidiary of the UK electrical and mechanical engineering group, saw its pre-tax profits for 1987 rise 17 per cent from C$34.25m to C$39.95m (£18m).

This increase was achieved on sales reduced from $418.67m to $395.78m. Tax was up at $15.16m ($14.2m). This resulted in earnings per share of $2.52 ($2.01).

COMPANY NEWS IN BRIEF

FERGUSON INDUSTRIAL Holdings has purchased Design Mark Industries for $3.1m (£1.72m) cash. DMI, based in Massachusetts, prints on plastic-based products for use in the computer, automotive, marine, aircraft and photographic equipment industries.

AEROSPACE ENGINEERING said 3.98m shares (94.2 per cent) of the rights issue had been taken up. There will be no distribution to shareholders not taking up their rights.

CASTLETOWN PRESS had turnover £433,000 and pre-tax profit £64,000 for half year ended October 31 1987. Earnings 4.37p. Company said cash position was strong and a number of acquisitions were under investigation.

EVERED HOLDINGS has disposed of two subsidiaries from its polymers division, generating cash of £1.3m. The sale forms part of the rationalisation of Hallite and allows development of core activities. Hallite Hilyn was sold for £7,000 and repayment of £368,000 loans, while Hallite Plastics was sold to C.H. Industrials for £87,000 and repayment of £607,000 loans. CHI has also purchased the privately owned Aldo-Manta (maker of seats for ships) for an initial £652,000 cash.

JOS HOLDINGS, investment trust, reported a net asset value of 183.6p at January 31 1988 against 173.3p a year earlier but down on the 242p at July 31 1987. The interim dividend has been raised from 0.96p to 1.05p from earnings for the six months to the end of January of 1.83p, against 1.24p.

KLEINWORT SMALLER Companies Investment Trust raised net asset value from 433.2p to 490.8p in year ended January 31 1987. Investment income £705,014 (£604,467). Tax £163,266 (£172,147) and earnings per share 9.9p (9.52p). Final dividend 6.35p making 9.7p (9.2p) total. Two-for-one scrip issue proposed.

MONOTYPE CORPORATION has acquired the machinery division of Spicers Asia, part of Price and Pierce, for £220,000. Turnover is £2m per annum.

OLD COURT International Reserves reported gross revenue - bank deposit interest - of US$17.38m (£9.8m) for the half year to December 31 1987 compared with $17.8m for the comparable period in 1986. Net revenue came in at $15.4m ($16.08m) and net assets stand at $430.6m ($396.4m).

SUMIT, development and capital venture investment group, reported earnings 5.8p for 1987 (4.9p) and final dividend 3p for 4p total (3.7p). Franked income £908,900 (£675,000) and unfranked £261,000 (£193,000). Net asset value 250p (218p). Since stock market crash prices become more acceptable. There are opportunities, particularly in West Midlands, for investment in unquoted companies.

HAVELOCK EUROPA is forming an architectural joinery division to be called Edinburgh Shopfitters. Freehold premises together with all the fixed assets have been bought from Headway Construction, part of Dee Corporation, for £206,592.

CONTRACTS

Upgrading RAF airport in Cornwall

CEMENTATION CONSTRUCTION, a Trafalgar House company, has been awarded a £5m project by the Property Services Agency at RAF St Mawgan, located near Newquay, Cornwall. Cementation will be carrying out an eight-month repair and upgrading programme at the airport. The work will comprise the replacement of around 200 bays of pavement quality concrete top slab. At each end of the runway the company will breakout a length of 60 metres of composite construction and replace with 325 mm pavement quality concrete on 200 mm rolled dry, lean concrete. The remaining length of the runway will be resurfaced across its full width and a new drainage system will be constructed. Runway edge lights will be repositioned and central line lighting will be raised before reinstatement of the runway markings.

★

A 48,000 sq.ft. Safeway superstore is being built in Folkestone, Kent, by BOVIS CONSTRUCTION. The £3.7m management fee contract combining building and fitting-out work, was awarded by Argyll Stores (Properties). The eight-month contract is due for completion in October, and the store will open for trading in November.

★

A contract, worth up to US $10m (£5.7m) over the next three years, has been awarded to RACAL MARINE SYSTEMS following its selection by the US Navy as the supplier of Hyper-Fix and QXSA precise navigation equipment for use in mine counter measures (MCM) and related operations.

The contract, which follows on from a similar supply contract awarded to Racal in 1984, makes provision for the supply of Hyper-Fix shore stations, shipboard receiving and track guidance systems, and MCM helicopter receivers. Hyper-Fix shore station remote control and monitoring facilities, which can be retrofitted to shore networks, and training simulator equipment, also form part of the contract.

The Hyper-Fix 2 MHz phase comparison precise positioning system, developed for a variety of applications including the offshore oil industry, was introduced in 1982. Typical accuracies are up to five metres out to a range of 250 km.

APPPOINTMENTS

Changes at French Connection Group

FRENCH CONNECTION GROUP has appointed Mr Stephen Kosnowski as group finance director from May 1. Mr Nick Burman, group financial controller, becomes company secretary. Mr Kosnowski joins from Local London Group where he was group financial conytroller. Mr Michael Shen, currently group finance director, is leaving on May 1 to pursue personal business interests.

★

LILLYWHITES has promoted Mr Patrick Woodall, sales and marketing controller, to director level. Mr Stephen Richards has joined the company as merchandise controller.

★

Mr Bob Bowyer has been appointed general manager, insurance processing and accounts, of AA INSURANCE SERVICES. He was executive manager, insurance accounts.

Mr Roger J. Winter has been appointed a director of ROPNER, Darlington.

★

TOUCHE REMNANT INVESTMENT MANAGEMENT has appointed Mr John Alexander, Mr Brian Ashford-Russell, Mr John Escott, Ms Sarah Hunter-Jones, Mr Stephen Peak and Mr Peter Wolf to the board.

★

TIGER TIM PRODUCTS, Mold, Clwyd, a firelighter manufacturer, has appointed Mr Christopher J. Coxon as managing director. He was with the Robert McBride Group.

★

Mr Robert Biddle has been appointed finance director of EUROTHERM INTERNATIONAL. He joins from Siebe, where he was group chief accountant and vice president, finance, of the company's North American subsidiaries.

Mr Ron Pritchard has been appointed executive director of MARSH FINANCIAL MANAGEMENT. He joins from the Barwick Group where he was operations director.

★

Mr Brian Gould has been appointed managing director of Rossmore Warwick (Midlands), and Mr Peter Roberts as managing director of Rossmore Warwick (North). Both subsidiaries of ROSSMORE WARWICK.

★

RELIANCE MUTUAL INSURANCE SOCIETY has promoted Mr Philip Bowden to life and pensions manager. He was group pensions administration manager with Crown Financial management. Mr Andrew Prior has been appointed deputy secretary, responsible for the personnel and mortgage and property administration departments. He joined Reliance last year.

Mr Jim Prince has been appointed to the board of VICKERS DEFENCE SYSTEMS as operations director, Leeds, where he was project manager. He succeeds Mr Doug Cooke, who becomes divisional manufacturing director.

★

Mr Rod Curtois has been appointed managing director of CARTERS GOLD MEDAL SOFT DRINKS.

★

Mr Peter Leather has been appointed director of development for NOVOTEL UK. He has been working for the group in New York.

★

STEELCASE STRAFOR has appointed Mr Charles Posnett as managing director.

★

Mr Patrick Phillips has been appointed a director and head of the gilts and fixed interest team at BARCLAYS DE ZOETE WEDD INVESTMENT MANAGEMENT. He moves from Barclays de Zoete Wedd where he was director in charge of gilt-edged risk management. He succeeds Mr Graham Colbourne. Mr Mike Roberts' post as head of European investment will be filled by Mr Gerhard Wehr, who is joining from Royal Trust in Singapore.

★

Mr Yoav Gottesman has been appointed group chief executive of the JACK L. ISRAEL GROUP. Mr John Alexander retires as executive chairman on March 31, and becomes non-excutive chairman. Mr Ralph Temple has been appointed a non-executive director. He was a joint managing director of Tesco. Mr Stephen Glazer, a director, resigns on March 31 to pursue private interests.

★

Mr Roger Hatfield has been appointed finance director of ALPHAMERIC. He was company secretary and a divisional director responsible for finance. He is a director of subsidiaries Alphameric SA (France), Real Time Developments, PC Communications, and IGG Systems. He is also company secretary of Bishopsgate Terminals.

★

Mr Christopher C. Bowshell, managing director of Pre-Met Electrical Components, has been appointed to the board of parent company, PLASMEC.

★

WILLIAMS HOLDINGS has appointed Mr Jim Rigg as a non-executive director. He is finance director of Rolls-Royce.

★

Mr Ivan Woulds has been appointed finance manager/company secretary of OVAKO STEEL.

UK COMPANY NEWS

Sumitomo to take stake in I&S

BY JAMES BUXTON

Sumitomo Life Insurance Company, a leading Japanese financial institution, is to take a significant minority stake in Ivory & Sime, the Edinburgh-based fund management company.

Sumitomo will take up to 15 per cent of I&S, by subscribing to a £7.52m share issue which will increase I&S' share capital by 20 per cent. I&S is raising new funds partly to comply with a requirement by the Investment Management Regulatory Organisation (IMRO) to increase its capital base and partly to fund the development of its new retail finance business.

I&S hopes to develop new joint ventures with Sumitomo Life in international investment management and other areas.

Sumitomo Life has been a client of I&S since 1985 and last year the two groups formed Sumitomo Life Ivory Asset Management, a joint venture fund management company based in Hong Kong.

Mr Alex Hammond-Chambers, chairman of I&S, said that the Scottish company had been talking to Sumitomo Life for some months about the possibility of it becoming a shareholder.

Sumitomo Life said it regarded the I&S stake as part of its policy of co-operating with the Scottish group. This distinguished it from the small stake – about 2 per cent – which it took in Kleinwort Benson, at the time of the merchant banking group's rights issue last November, which Sumitomo regards purely as an investment.

I&S is to issue 6.1m new ordinary shares for cash at 126p per share, representing a premium of 13.5 per cent on the middle market quotation for March 3. Sumitomo Life has agreed to buy up to 4.6m of these shares.

The new shares will be available to existing shareholders on a 1-for-4 basis. I&S' biggest shareholder, Ensign Trust, the merchant navy's pension fund, which holds 24.77 per cent of I&S, has agreed to purchase its full allocation.

If no other shareholders take up the issue, Sumitomo Life would acquire a 15 per cent stake in I&S.

I&S says it will have to set aside £5.1m from the proceeds of the issue to meet the requirements of the 1986 Financial Services Act. IMRO, of which I&S is a member, bases this figure on the company's normal level of expenditure.

IMRO has told I&S that from January 1 1989 it will also have to make provisions based on levels of business transacted. On current volumes of client business that will require the setting aside of a further £600,000.

The rest of the proceeds from the share issue will help finance the development of a new range of financial products for the retail market. I&S recently took on a team of unit trust specialists, led by Richard Carswell from National Westminster's County Unit Trust Managers.

Last year it formed a joint venture in fund management with Sumitomo Trust & Banking Company called Sumitrust Ivory & Sime, which is based in Edinburgh.

Steetley staff in chemicals buy-out

By Dominique Jackson

Steetley, the construction materials group, has agreed to sell its specialist chemical trading activities, part of Steetley Berk, to its management and employees in a deal worth £6m.

Mr Ieuan Thomas, former development director of Steetley Berk, is leading the management buyout team, all of whom have remortgaged their houses to buy a 70 per cent stake in the new company which will be known as Berk Limited.

Basingstoke-based Berk is a distributor of specialist chemicals which posted pre-tax profits of more than £1m on turnover of £35m in the last financial year. The disposal is part of Steetley's longer-term strategy to concentrate on quarrying and construction-related activities.

March Investment Fund and the British Gas Pension Fund are backing the buyout while the Royal Bank of Scotland is providing additional banking facilities.

Mr Thomas said he intended to seek a stock market listing for Berk within the next three to five years, taking it back to the original public company status it had before it was taken over by Steetley in 1973.

Aspen buys video group for £1.3m

By Dominique Jackson

Aspen Communications yesterday announced it had agreed to acquire Edit Art, a video post-production company, for £1.3m.

Aspen, USM-quoted diversified group with interests in business publishing, cellular telephones, video production and computer stationery.

Aspen said it expected its own 1987 pre-tax profits, due out next month, to reach at least £3.4m, an increase of 61 per cent over 1986 with turnover up more than 50 per cent from £16.7m to £25m.

The directors intend to recommend a final dividend of 3.5p, making a total of 5.1p (4.1p).

Edit Art made pre-tax profits of £142,000 for the eight months to January 31 1988. For the year to May 31 1987, Edit Art made pre-tax profits of £145,000.

Aspen said the acquisition of Edit Art would enhance its ability to handle the expanding volumes of video business produced by its subsidiary Aspen Spafax Television.

The initial consideration of £1m will be satisfied by the issue of 256,410 new ordinary shares in Aspen.

A further consideration of £300,000 will be payable when the vendor, ICT, satisfies certain conditions regarding the lease of Edit Art's operating premises.

Parker Knoll moves up 57%

BY DOMINIQUE JACKSON

Parker Knoll, furniture and textiles group, reported pre-tax profits up 57 per cent from £2.8m to £4.4m for the six months ended January 31 1988. Turnover rose from £27.9m to £36.4m.

Mr Martin Jourden, chairman, said the continued improvement in profitability was a result of strong organic growth in both the textile and furniture branches of the business.

This was further boosted by a full year's contribution from textile designer and supplier Monkwell which joined the group in early 1987.

An interim dividend of 7p (5p) was recommended. After tax of £1.4m (£856,000), earnings per share were 36p (25.8p).

Mr Jourdan said Parker Knoll did not anticipate any adverse affect on business from legislation banning the use of certain types of polyurethane foam, which is due to reach the statute book next year.

Parker Knoll was working on the reduction of fire risk in upholstered furniture before the proposed laws were announced earlier this year following a spate of fatal fires blamed on foam-filled furniture.

Consequently, part of the range has already been re-engineered to meet the new requirements and the rest should be completed within the current financial year.

Mr Jourdan added that current orders were high and output was at record levels. Furnishing fabric sales were ahead of last year and exports were holding up well despite the strength of sterling.

He said that strong demand continued for furniture from Nathan, while Lock of London oak reproductions performed exceptionally during its second year within the group.

Despite intense competition in the woven curtain velvet market, sales and margins had both improved at K Raymakers & Sons and the chairman was confident that full year profits would be highly satisfactory.

Martin Jourdan: Strong growth in both textiles and furniture was boosted by full year's contribution from Monkwell

● comment

Parker Knoll is certainly sitting comfortably as these figures and yesterday's consequent jump in the share price show. Although still best known for producing the ultimate in reclining chairs for tired executives, the company is fast becoming a force in the lucrative designer textile market with last year's acquisition Monkwell. Another sound move was the disposal of contract carpet company Mercia Weavers which should realise £2m. Chairman Martin Jourdan could well use some of this cash for another purchase and is considering a move across the Atlantic. Parker Knoll acted early to ensure it was not caught out by the new furniture foam regulations and the emphasis of its ranges in the medium to higher-priced bracket should minimise the effect on prices which will hit the whole industry. Full-year forecasts of £8.5m give a prospective multiple of around 10.

Good start for High-Point with 64% rise

A 64 per cent lift in pre-tax profits, from £401,000 to £659,000, for the half year ended November 30 1987 is reported by High-Point Services, which moved from the USM to the main market in November.

Earnings worked through at 8.88p (6.08p) and the interim dividend is raised from 1.75p to 2p.

Turnover rose to £13.15m (£12m) and operating profit to £554,000 (£308,000). Associates contributed 127,000 (£146,000).

The result reflected a satisfactory start to the year, said Mr Ian Reeves, chairman. The reorganisation, now substantially completed, meant that the group could accelerate the development of its core businesses in three areas - project planning, design and management; contract and commercial management consultancy; project investment and development.

Mr Reeves said progress in the US had justified the investment.

Tribble Harris

Two subsidiaries of Tribble Harris Li, USM-quoted architectural and design company, have won commissions to design luxury Ritz Carlton hotels at Aspen, Colorado and Scottsdale, Arizona.

Share stakes

Changes in share stakes announced in the past week include:

Goode Durrant - Devon Associates, which is ultimately controlled by Waring family trusts, is interested in 6m shares (12.27 per cent) following the purchase of 110,000 at 125p on February 24.

James Wilkes - the consortium of three directors, Mr Stephen Hinchliffe, chairman, Mr Arthur Watt and Mr Andrew Hartley, now holds a 29.64 per cent stake having acquired a further 100,000 shares at 170p.

Windsor Securities (Holdings) - Cannel Holdings & Properties has increased its holding to 2.92m shares (12.2 per cent).

Telfos Holdings - The Chillington Corporation has reduced its stake below 5 per cent with the sale of 655,000 shares on February 26.

Boosey and Hawkes - After raising its holding to 345,000 shares (8.79 per cent) United East India Company, a subsidiary of Ensign Trust, has sold the holding to Windjammer, a Filmtrax offshoot.

Gnome Photographic - Mr S H Robertshaw holds 264,000 (10.5 per cent) after buying 10,000 shares.

Chelsea Artisans - Mr C B Smith, director, bought 1,500 share at 125p on January 18. Appleton Holdings sold 25,000 shares at 120p on February 23 and holds 395,000 (20.57 per cent).

Barlows - Mr N W Berry, chairman, sold 107,000 shares at 72p, reducing his holding to 2.46m (18.37 per cent).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Continental Microwave, E. Green and Partners, Marcol, Merivale Moore, Miller and Santhouse, Precious Metals Trust, Prestwich, William Sinclair.

Finals- Abbeycrest, Allied Partnership, Anglo American Industrials, Blagden, Bluebird Toys, Chartsearch, City Merchant Developers, Commercial Bank of the Near East, Dares Estates, Expamet International, Lambert Howarth, Leisure Investments, Paragon Communications, Pentos, Perry Group, Save and Prosper Gold Fund, Spong.

FUTURE DATES

Interims-

Allwoods	Mar 9
G.T. Venture	Mar 17
Finals-	
Butlers	Mar 10
London and Metropolitan	Mar 28
Norfolk Capital	Mar 14
Pacific Sales	Mar 9

FINANCIAL TIMES SURVEY

The buoyant direct marketing business needs to ensure that its standards match its commercial importance. There have been further attempts recently to regulate this fast-expanding sector, and quality will remain the key issue for some time to come, writes **David Churchill**

The search for quality

Direct Marketing

CONTENTS

DIRECT marketing continues to be one of the fastest-growing and most effective communication channels of the 1980s. Its appeal direct to individuals either at home or their place of work offers a specialised approach that broader communication methods cannot hope to match.

This was borne out in a recent survey of the UK's leading advertisers – sponsored by the Christian Brann direct marketing consultancy and published by *Campaign* – which suggested that over half of these advertisers believed direct marketing would become more important than image advertising by the end of the next decade.

Significantly, some 90 per cent of the 250 advertisers surveyed already use direct marketing in their communication campaigns.

Yet such buoyant prospects for an industry which only a decade ago was treated almost with contempt by the advertising world should not be taken for granted. Direct marketing is at the stage where if it is now to be taken seriously, it has to ensure not only that its operations are effective but also that its standards are in keeping with its commercial importance.

These are issues which will be in many delegates' minds at the Direct Marketing Fair, which opens today at the Kensington Exhibition Centre in West London, as well as at next month's Montreux Direct Marketing Symposium.

"If the industry tries to grow too fast, spreads itself too thinly, and fails to train new people fast enough, then standards inevitably will drop," warns Mr John Fraser Robinson, chairman of Amherst Direct Marketing and one of the "gurus" of the direct marketing industry.

"This in turn will lead to disillusioned advertisers and the end of the growth track," he adds.

Mr Gerry Lanchin, chairman of the Direct Mail Services Standards Board (DMSSB), also points out that "research shows that the general public still holds direct mail in relatively low esteem".

He believes that the industry needs "to ensure that every advertiser, especially those new to the medium, understands both the spirit and the letter of the rules. Maintaining the highest standards can only improve direct mail's public image".

The industry has responded to such concerns in recent years and made efforts to improve standards. The DMSSB, for example, was set up in the early 1980s as the principle regulatory body and operates a recognition scheme to direct mail companies. To qualify, agencies must satisfy the board that they comply with the codes of the Advertising Standards Authority and provide services only to clients who subscribe to those codes.

Direct mail agencies are then able to use the Board's symbol on their literature. Some 146 agencies are at present recognised by the Board.

As an inducement for direct mail agencies to be recognised, a rebate scheme for postage costs incurred is available, financed by the Post Office. Over the past four years, some £3.5m has been rebated to agencies under this scheme.

The Board also monitors standards in direct mail generally. It examines samples from recognised agencies as well as all types of mail-shots sent to consumers. The most frequent problems were found with prize draws, where the rules were not in accordance with the law, and cash-with-order offers that failed to quote a delivery period.

The Board, however, points out that "less frequent but more serious is the deliberately disingenuous use of a headline, or of a text on an outer envelope, to give a misleading impression of what in smaller print follows after".

Another attempt by the industry to improve its image was the introduction of the Mailing Preference Scheme. This enables consumers to take their names off mailing lists to avoid receiving unwanted mailing-shots – although a minority of consumers use the scheme to put their name on to mailing lists.

Two other regulatory moves in recent months were:

● A code of practice, launched late last year by the Direct Selling Association, covering door-to-door selling and in-home sales parties;

● The British Direct Marketing Association's new code for telephone selling, brought out earlier this month, to help regulate this fast-growing sector.

Even with these various attempts to raise standards, there are still moves in the industry to create an umbrella organisation – similar to the Advertising Standards Authority – to regulate all forms of direct marketing and not just direct mail. Whether or not such an organisation is formed, there is no doubt that the quality of direct marketing will be the key issue in the late 1980s and into the next decade.

One of the fundamental problems with regulating the direct marketing industry is its very diversity. At its simplest, direct marketing, according to the definition coined by Mr Drayton Bird from Ogilvy & Mather Direct, "is any activity which creates and profitably exploits a direct relationship betweeen you and your prospect".

But direct marketing is more than this. According to Mr George Smith, chairman of the Smith Bundy group, "the awkward fact is that direct marketing is currently a collection of interests rather than a vertical industry grouping".

He points out: "We are advertising agencies, mailing houses, computer bureaux, list brokers, laser printers, envelope makers, mail order traders, catalogue operators, charities, postal bargain advertisers, the Post Office, British Telecom, telephone marketing companies, merchandisement procurement companies, and a whole host of other functions."

Leading specialist direct marketing agencies include O&M Direct, Christian Brann, Wunderman International, Watson Ward Albert Varndell, Amherst, DDM Advertising, MSW Rapp and Collins, FCB Pasley Wood, Smith Bundy, and HLY-Grey Direct.

Although direct mail is perhaps the best known segment, the industry covers mail order, direct response, door-to-door selling, and telephone marketing, as well as newly-developing areas such as home shopping via computer.

The growth of direct mail in recent years has been aided by a number of factors, most notably the entry into the market of new groups of advertisers.

The Government – which has emerged this year as the UK's largest advertiser – has been a leading exponent of direct mailing, either as part of its privatisation campaigns or through the home delivery of leaflets pointing out the dangers of Aids.

But it has been the financial services sector where most growth has come in recent years. According to the DMSSB analysis of direct mailings in 1986/87, almost a quarter came from financial operators. Even though the Stock Market slump may have hit mailings associated with new issues, typical advertisers in this sector were credit card and insurance companies as well as banks and building societies.

In the business-to-business sector – which accounts for about a third of all direct mailings – the deregulation of the professions is one of the factors that will encourage further growth in this area.

In consumer mailings, growth is coming from companies such as Marks & Spencer and Next which are using the databases they have built up from their customers to sell further services.

Consumers, according to new research published earlier this month by the Direct Mail Sales Bureau, may be more appreciative of direct mailings than previously thought.

The survey, of over 600 adults, found that two-thirds remembered opening and reading the last piece of direct mail received. Slightly more than half the survey claimed to have bought something by direct mail at some stage, with the propensity to buy higher if there had been previous contact with the sales organisation.

According to the survey, the main benefits of buying by post are perceived as price and convenience. The disadvantages are factors such as the nuisance of returning items and being unable to see the goods before purchase. Only 2 per cent of the sample survey had ever lost money as a result of advance payment.

Another analysis of direct mailings, carried out by CCN Systems which is the information services subsidiary of Great Universal Stores, found that consumers who live in the wealthiest areas of the UK were 40 times more likely to object to receiving direct mail than those living in poorer areas.

Such information is the name of the game in the direct marketing industry of the late 1980s. "Over the last five years, the computer has revolutionised the ability to collect lifestyle data and make efficient use of this information," says Mr Colin Lloyd, chief executive of the KLP marketing group.

"Database allows us to exploit new marketing segments, utilise direct marketing channels, and market by lifestyle segment," he adds.

Mr David Redmile, managing director of the Parker Redmile direct marketing agency, also points out that combining marketing with sales promotion techniques means that "sales promotions are communicated more effectively and to a better targeted audience".

CACI, the market analysis company, has come up with a new variation on database marketing with target groups classified according to first names. CACI believes that first names give an indication of age – thus analysis of some 13,000 names has enabled it to develop four age bands as marketing targets.

Consumers with names such as Florence or Albert, for example, are likely to be aged over 65; while Kevin and Sharon will most likely be under 30.

Analysis of combinations of names, moreover, improves the system significantly. "Whilst it can be predicted that Brian or Keith are probably in their 30s with a young family, if they share a surname or address with Wendy or Janet the likelihood is considerably increased," says CACI. The system, not surprisingly, has its own name - Monica.

Rank by income: Previous	Rank by income: Current	Agency/Group	Latest period ended	Latest income	Previous income	Change %	Latest sales	Previous sales	Change %	Latest profit	Previous profit	Change %	Latest income: sales %	Latest profit: sales %	Shareholders' funds: Latest	Shareholders' funds: Previous	Shareholders' funds: Change %	Latest number of staff	Latest pay	Previous pay	Change %	Latest highest paid director
50	33	**Watson Ward Albert Varndell**	Dec 86	3684	1993	84.8	17218	8541	101.6	438	223	96.4	21.4	2.5	431	73	490.4	65	21760	15669	38.9	50000
35	34	**Multicom**	Mar 86	3599	3030	[illegible]	20233	17936	12.8	85	20	325.0	17.8	0.4	582	446	30.5	99	16357	14722	11.1	53276

MARKETING WEEK TOP 50 AGENCIES SURVEY, JANUARY 8, 1988.

Businesses are advised to check up on telephone marketing companies

Karen Darby: "Credibility is increasing all the time."

Code launched to raise standards

AT THE beginning of this month the British Direct Marketing Association came up with a new set of guidelines to cover telephone marketing in the UK.

These guidelines for operators – forged out of many discussions both within the industry and with the Office of Fair Trading – are aimed at raising the standards and eliminating some of the "cowboy" operators who have given telemarketing such a bad name in recent years.

It was the OFT, in fact, which in 1984 started to investigate some of the abuses of telephone marketing and prompted the industry to come up with its own voluntary code of practice or face statutory curbs.

Since then, telephone marketing has grown rapidly as companies have increasingly come to appreciate the benefits of direct contact with the customer. But while standards of the major telemarketing companies have clearly risen since the mid 1980s, there is still a need for tighter controls.

Mr Robert Leiderman, managing director of BT's Telephone Marketing Services subsidiary and chairman of the BDMA'a telephone marketing committee which drew up the guidelines, maintains, however, that "the vast majority of telephone marketers already behave ethically and professionally".

He adds: "The reality is that unprofessional cold calling is fruitless and soon puts a company out of business."

But he urges consumers and businesses to ask telephone marketers if they are members of the BDMA and subscribe to the new guidelines.

"That way, they have a clear guide with which they can rebuff any call they are not happy with and they also know when they are dealing with a professional and ethical company," he adds.

The guidelines cover several key areas, including:

● Disclosure: the caller's name and purpose of the call should be given at the outset;

● Honesty: calls should not be made under the guise of research or a survey if they are really sales calls;

● Hours: calls should be made at reasonable hours for the recipient – and consumers should not be called after 9 pm;

● Procedures: high pressure sales techniques which "could be construed as harassment" should not be employed

● Restrictions: consumer calls should not be made to individuals at their place of work, nor should calls be made on a random basis.

Such restrictions on telephone marketing companies reflect the very real consumer concern about how intrusive telephone calls can be. Yet this this not the only worry facing the industry.

For the second year running, the BDMA and Royal Mail direct marketing award judges have criticised the standard of telephone marketing case studies presented to them. Last year the judges "thought the entries in this category failed to reflect the high standards that are found in the telephone sector of direct marketing".

The winner last year was Saga Holidays which, through its agency Direct Marketing, achieved better than expected response from its telephone campaign to boost sales of motor insurance.

The judges thought this a thoroughly professional operation. "It was well planned and covered all eventualities that could develop in conversations with potential customers," they said.

The exact size of the telephone marketing sector is difficult to estimate, given the disparity of the companies involved. Some estimates put the amount spent through agencies last year at about £50m, although most accept this is a conservative estimate and does not include the amount spent by companies in-house.

Ms Karen Darby, director of the Decisions telemarketing group – one of the largest operators in this sector – maintains that the credibility of telemarketing is increasing all the time.

"A few years ago companies only saw the telephone as a pure selling technique – now they are more prepared to take note of its value as a marketing weapon in gathering market data, for example, and supporting other aspects of the marketing function," she says.

Decisions was used by KP Foods, the crisps, nuts, and snacks operation, to mount a telephone campaign designed to ensure that salesmen were only calling on those outlets able to place substantial orders.

Over a 26-week period, Decisions contacted 11 different groups of sales prospects – with a different approach to each – to establish potential for an individual visit. The result of the campaign enabled KP to ride out a busy sales period by maximising the time and resources of its salesforce.

"But we were also able to capitalise on the telephone call by promoting new products and special offers directly to potential customers," Ms Darby points out.

"It would have been a waste not to use the telephone contact to its full potential – so it was also used to gain valuable feedback about KP's marketing, such as the response to its advertising and competitive activity."

Much of the increased sophistication in telemarketing has come about as a result of CATI – computer assisted telephone interviewing.

CATI systems – such as the "Topcat" operation marketed by Independent Software Marketplace – enables a wide range of information to be directly entered into a computer via a visual display unit. This not only speeds up the processing operation but also enables a full analysis of the data to be carried out automatically.

Other developments which have helped make telemarketing more widely used include the response services offered by British Telecom. BT's own research claims that some six out of every ten adults would prefer to respond to an offer by telephone rather than using a Freepost coupon.

BT's services, for example, include the Linkline 0800 number which enables calls from anywhere in the UK to be put through free of charge to the caller. The Territorial Army, for example, used this service in a national campaign to boost recruitment.

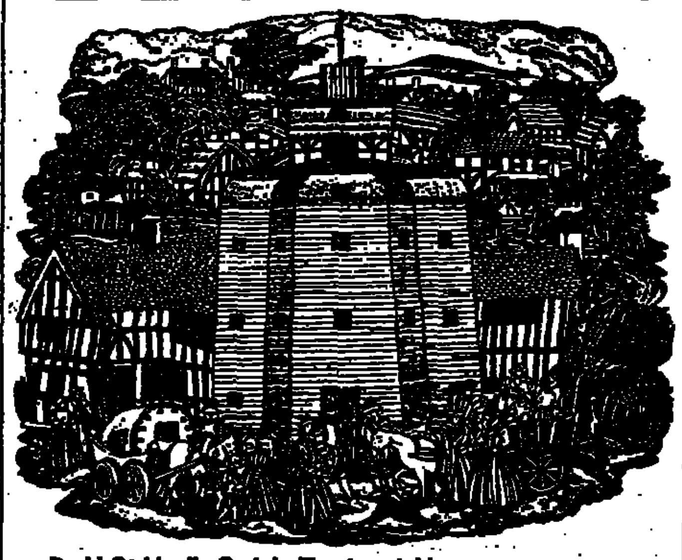
In the business-to-business market, BT offers Linkline 0345 which enables calls to be put through for the price of a local call only. Barclaycard, for example uses the 0345 number for retailers, petrol stations, and restaurants to check credit authorisation.

As telephone marketing becomes more widely accepted by companies, it seems likely that many will set up their own in-house operations. Such a move brings advantages in greater control and lower costs (after the initial operation has been established) but also the drawbacks of keeping staff motivated and fully employed.

"I think there could be a growth in co-operation between in-house telemarketing departments and external agencies," points out Ms Darby. "For example, we helped ICI train, co-ordinate, and integrate its in-house telesales operation."

David Churchill

Case study: Directional Design



David Goddard's Curtain Theatre etching

Quality clinches double prize

THE GOLD award at the annual Direct Marketing prize-giving in December was won by Directional Design for a campaign it prepared for its client KL Litho. At the same ceremony, the second award, the Silver, was won by Directional Design, too, working for the same client. It is the first time that one company has picked up the awards for both the most outstanding piece of direct marketing and the best creative work.

KL Litho is a printing company which wants to extend its business in the City. It has just acquired, for £500,000, a six-colour machine which it considers ideal for the high quality printing needs of banks, stock brokers, insurance companies, and the like. Since it is difficult to distinguish one printing company from another, KL Litho determined to make its potential audience sit up.

The marketing company is actually a subsidiary of KL Litho, which must have made things easier. Even so, the campaign, devised by John Stadden, an experienced direct marketer with the Post Office and Ford among his past clients, was a classic of its type. No expense was spared: each of the six shots planned, aimed at 2,000 firms, will cost £5,000. The prospective clients, marketing directors or print buyers, were meticulously checked out by name (many were nabbed by combing through the FT's appointments column): there was no buying in of an inaccurate list.

But what clinched the award for Directional Design was the quality of the mailing shot. The marketing company decided, not surprisingly, to show off the printing expertise of its client by preparing a history sheet based on the theme of the City being the birth place of the theatre. On top of this finely produced item, which was accompanied by information about KL's new machine, the recipient could send away for an etching by David Goddard of the Curtain Theatre. The Curtain was near the site of the KL print works and gave Stadden the original idea for the campaign.

Two months after the first shot, in September, a second, this time devoted to markets in the City, was sent out. And there are four more to come, including coffee houses and the Port of London. The overall concept was that, with the City in a bad way (at least in the autumn), and times changing so rapidly, it was a good idea to remind people of its past history and past achievements. Just to ensure that the mailing shot would be noticed in a very competitive market, it was of a substantial size: postage alone cost £1 for each item.

Directional Design was expecting a take-up of around 10 per cent. In the event, the number of leads was over double that figure. Most of those requesting the prints also agreed to a visit from a KL representative – either the chairman or the marketing director called to discuss the company's printing needs. All told, KL Litho has already picked up 10 new accounts and £250,000 worth of business, with the campaign still in its early stages.

In addition, the exercise was backed up by a joint deal with Robert Horne who produced the impressive paper for the mailing shot. Its reps carried a further 1,000 of the history sheets to excite the interest of their clients.

Stadden attributes the success of the exercise, unsurprisingly, to "getting the audience right". He does not expect too many immediate contracts. "The most KL can hope for is a chance to quote. It should now get on the lists when a company wants a special printing job." One incidental beneficiary has been Directional Design. The two-year-old company has picked up three new clients, including American Express, through winning the awards.

Anthony Thorncroft

Mail order

Challenging times

ANYTHING NEXT can do, Marks & Spencer believes it can do better. Following the much-vaunted launch earlier this year of the Next fashion chain's mail order catalogue, Marks & Spencer is this month expanding its embryonic mail order business by bringing out a catalogue for its fast-growing furniture and home furnishings activities.

The move has been long-awaited and is clear evidence of the new mood of dynamism in what had become rather a stagnant sector. Traditional mail order sales in the 1980s have under-performed the boom in overall retail spending – slumping from 4 per cent of all retail sales in 1980 to just 3.4 per cent in 1986.

Yet with sales of £3.5bn last year, the traditional catalogue mail order business is easily the biggest segment of the direct marketing industry. The process of selling to customers in their home – rather than through normal high street outlets – has been the bedrock of direct marketing for many years.

But the industry is changing fast. Apart from the intervention of high street operators such as Next and Marks, the established operators have been forced into a series of rationalisations and amalgamations culminating in Sears' recent takeover of the Freemans operation.

At the same time, the traditional operators have responded to changes in the retail sector by greater specialisation of their catalogues, aiming to reach the market niches in fashion that chains such as Next, Principles, and Richards have identified in the high street.

Established mail order companies, moreover, have also been joined in the 1980s by a plethora of smaller operators in the direct response sector – selling through the Sunday colour supplements items such as exercise bicycles and silk shirts to the new breed of "yuppie" consumers.

Yet perhaps the biggest challenge to the mail order business as it now exists comes from the concept of home shopping by television.

Teleshopping, as it is called, has become big business in the US where the widespread introduction of cable television has made it a viable prospect. Trade estimates suggest that in the US teleshopping via cable systems accounted for some $2.5bn of retail sales last year.

In the UK, Littlewoods and Tesco have been in the forefront of electronic home shopping experiments – using the Prestel Viewdata service – but the concept has still to take off in a major way.

Home shopping is by no means a new idea. In the US, the system of selling direct to consumers was pioneered by Sears Roebuck in the latter part of the last century. Isolated farmers and homesteads in the sprawling US – unable to reach retail outlets in urban centres – were prime targets for choosing items from a catalogue to buy by post.

In the UK, buying from home via a mail order catalogue was largely a post-war phenomenon and was mainly concentrated in the North of England. Its popularity was due to two factors: the ability of housewives to generate extra income from home by being agents for their neighbours, and the granting of credit facilities to those consumers who were traditionally outside the banking system.

During the 1970s and into the 1980s, mail order home shopping spread gradually throughout the country and social classes. Yet its growth was not as explosive as had been anticipated by many in the early 1970s.

Mail order customers, coming from poorer homes, were the first to be hit by the recessions of the late 1970s and early 1980s. Moreover, the growth of credit facilities throughout the population took away one of the prime advantages of mail order for many consumers.

Not surprisingly, such a trading position has led to changes in the industry. Mail order operator Grattan, for example, was acquired by Next in 1985 to form the base for the fashion chain's own expansion plans in the sector.

Market leader in catalogue mail order is Great Universal Stores (GUS) which has about 40 per cent of the market, according to trade sources. GUS, which operates through a number of brand names – such as John England, Marshall Ward, and Kays – was blocked by the Monopolies and Mergers Commission in the mid 1980s from expanding through a planned acquisition of rival Empire stores. In response, GUS invested heavily in new warehouses, plant, and computerisation in order to keep ahead of its rivals.

The second largest catalogue mail order operator is the Littlewoods group which has activities that include chain stores and football pools.

The sheer size of mail order marketing is shown by Littlewoods' estimates that it receives 13.5m telephone calls each year from its agents and some 90 per cent of its customers receive their goods from Littlewoods' own home delivery service.

Yet there are those who believe that the future for traditional mail order remains bleak. The Verdict research company says in a recent report that the main operators will find it much harder over the next few years to maintain their growth rate.

The market, believes Verdict, is becoming increasingly competitive with "too many catalogues chasing too few sales".

A further problem facing the sector is the issue of customer dissatisfaction with their orders – research suggests that more than a third of all mail order customers have experienced such problems. The launch of the Next mail order catalogue, for example, was dogged by reports of early teething troubles with its systems.

At the same time, however, the UK mail order industry can look forward with some optimism to further growth in the 1990s coming from the harmonisation of the EC internal markets in 1992. This move to break down the internal barriers in Europe could create a mail order market of 370m consumers.

Yet UK companies will not find development of Europe-wide markets easy, especially since some countries in Europe are further along the road to developing more sophisticated home shopping systems.

In France, for example, a home computer system linked to the telephone, called Minitel, is given away free in some areas by the Government to encourage use of telephone services. This has led to the development of Telemarket in the Paris area – a home shopping service with over 5,000 users.

David Churchill

New technology

Two sides of the coin

NEW TECHNOLOGY has a Jekyll and Hyde image in direct marketing. On the one hand computers are taking the blame for the growing numbers of unsolicited phone calls and the unwanted letters that pour in almost every morning. On the other hand, the same technology is credited with dramatically improving productivity in sales and marketing.

The best examples of both these aspects of computerisation come from the US. In some states, for example, pressure to legislate is rising because telephone subscribers have been receiving calls from a computer which automatically detects the human voice.

A tape is activated describing the product or service and the computer measures the length of time the subscriber listens before hanging up. The longer the recipient of the call listens, the higher the chance they have of receiving a letter or visit from a salesman.

US research has found that computer systems – although not necessarily of the type described above – do improve productivity. A new report prepared for Pulse Train Technology, a computer-aided telemarketing company, found that automated telemarketers made 23 per cent more calls and 29 per cent more sales than their manual counterparts.

Users of computer aided direct mail systems also report benefits such as lower administration, sales and postal costs and higher responses.

Direct mail bureau Printronic found that one of its clients, Newsweek, improved reponses by between 50-70 per cent merely through the use of personalised labels.

The direct marketing industry is welcoming with open arms the opportunities that the falling cost of computerisation is bringing. Four or five years ago it was only the large specialist direct mail bureaux which could keep and maintain large databases – now a personal computer costing £3,000 can be used to keep a list of 20,000 names, analyse trends and select sales prospects. Thousands of high quality personalised letters can then be printed in a day or two using a £2,500 desktop laser printer.

There is concern in the direct marketing industry about potential abuses. The British Direct Mail Association, for example, has a database marketing committee which is mainly concerned with the ethical issues surrounding the growing use of databases which hold information on the public.

The committee is concerned that the ease with which the technology can be installed does not lead to abuse such as infringement of privacy. Mr Russell Logan, the committee chairman, identifies three factors which have contributed to the proliferation of direct marketing databases. These are the ease with which database software packages can now be used; the fall in the cost of hardware, including laser printers; and the availability of low cost, easy to use statistical and database analysis packages.

Until recently, direct mail bureaux have formed the major market for direct mail computer systems. Such companies specialise in high volume mail-outs – usually in the tens or hundreds of thousands – and usually take care not to send out badly targeted or wrongly addressed letters. The availability of low-cost computer systems, however, is expected to lead to dramatic growth in the use of in-house systems run by the marketing departments of both small and large companies.

Mr John Davies, a director of software house Pipbrook, and former chairman of the Direct Mail Producers Association, believes that in the long term the wider use of computers will reduce the amount of "junk mail" and lead to much more effective marketing. "The man in the street assumes that computers are being used to generate more and more mail but there's a good argument that the opposite is the case. Junk mail is very much in the eye of the beholder – it's only junk mail if the intended recipient isn't interested in the contents. We're all trying to use computers to target much more closely."

Despite the availability of low cost hardware, computers are not yet being used as widely for direct mail outside the specialist market as might be expected. This is for two reasons: first, direct mail bureaux are offering value for money in terms of value added consultancy and support; and second, in-house marketing departments have been slow to learn about the new opportunities, partly because of a scarcity of software.

The essential component of all computer marketing software is the database management system which allows large lists of names and addresses to be stored along with other details such as personal history, occupation, disposable income and even decision-making capabilities. Although there are dozens of database packages on the market which can do all this, the real productivity gains result from the use of specialist facilities which are still not widely available at low cost.

Bureaux such as Printronics, and specialist software packages such as Mailbrain from Computer Factors and Profile from Pipbrook, include features such as date prompting, response analysis, and the de-duplication of names. Other facilities include the ability to recognise the meaning of words such as "deceased" or "retired" or to pre-sort mailings according to post codes can be important.

Telemarketing is also experiencing a computer revolution, again centred on experienced specialist users but slowly spreading out to general marketing departments. Mr Anthony Shelton, Marketing Services Manager of package supplier Pulse Train Technology, claims that users of computer assisted telemarketing systems experience dramatic productivity improvements.

Using a system such as the company's Tel-All, a list of calls is generated in the morning. The telemarketer works through the list, with engaged or no response numbers automatically rescheduled. Customer information is available at the press of a button, and scripts for the telemarketer can be rolled down the screen.

The use of computers in direct marketing is driving up the number of business telephone calls and letters – one reason why the Post Office and British Telecom are so accommodating. The increasing sophistication of database and analysis software will not reduce communication through direct marketing, only enable it to be more closely targeted.

Andrew Lawrence

Feona McEwan on business to business marketing

Direct way to inform the confused buyer

ASKED why his financial company decided to focus its energies exclusively on direct marketing, the sales director replied "Because I reach who I really want to, I can measure it, and my competitors don't know what I'm doing."

The direct marketing approach is one that companies are increasingly adopting in the business to business field, though not necessarily to an exclusive extent, on both sides of the Atlantic.

Drayton Bird, vice chairman of Ogilvy and Mather Direct, explains the reasons why. In essence, the buying process has changed, he says. "It is getting more complex." As a result, buyers of increasingly technically sophisticated equipment are confused. "They find it hard to keep up with the fast-changing states of the art."

Thirty years ago business to business purchases, whether to buy more carbon paper or typewriters, were relatively simple to make.

It was frequently just one person who bought everything the company needed in order to function, and they were easy to isolate and relatively easy to reach by broad-brush advertising campaigns.

Nowadays products are vastly more complex. As well as the consequent "confused buyer" syndrome which Bird identifies, the purchases themselves are far more significant in terms of money.

Bird illustrates the point with an example of the marketing of a new telephone exchange, now a very competitive market. It is a purchase that concerns a number of different employees, all of whom might have a different motivation for buying, he says.

The chairman, for instance, may be looking for a prestige item. The technical director will be concerned with technical characteristics, the financial director with financial matters, and increasingly important, there are the operators who will be concerned with how simple it is to operate.

"Because people now need more information to make informed decisions, the buying process has become more complex. The direct marketing approach enables a company to approach the various decision-makers as individuals," says Bird.

Tony Cole: new product promotion a "staggering success"

Research in the UK and the US indicates that people do want more information from their business direct mail, according to Bird. "Many prefer to get detailed, lengthy, comprehensive information initially on which to base their decisions, rather than an approach by a salesman," he says.

One of the biggest leaps for the direct marketing industry which has enabled far more efficient targeting of key decision makers has been the extraordinary advances in computer technology.

Tony Cole, managing director of Milestone Direct Marketing, a specialist agency, reports that there is an increasing incidence of companies using the medium as an integrated part of their overall communications activity, rather than as a bolt-on extra.

He outlines a textbook case history involving a branded goods manufacturer of, say, office equipment selling warranted goods into business markets.

From the guarantee cards the company can construct a customer database. By linking this with his dealer database he is able to generate a sequence of communications – covering repair and service, extended warranties and, ultimately, replacement. He can also take the opportunity to build loyalty for his brand as a means of improving sales of other products in his range.

His customer database helps him identify key markets and enables him to produce accurately targeted direct response advertising to generate quality leads for his dealers.

He can also build a valuable prospect file through couponed press ads, exhibition inquiries, product cards or inserts. He can then communicate with these people regularly, taking every opportunity to turn prospects into customers. He can involve both his own salesforce and those of his dealers with a two-way programme of information gathering and communication, so providing sales support at every level.

Cole cites the example of an integrated programme used by 3M. The company used press advertising and public relations to create an awareness for its data cartridge technology. It used direct marketing to enable it to identify its target market of computer users precisely, to pinpoint decision makers and to generate qualified sales leads.

The various marketing consultancies involved collaborated to give a unified theme. The sales force, dealer network and hardware manufacturers were also fully integrated into the campaign.

Mailshots were forwarded to dealers to send out to decision-makers and an incentive scheme operated to ensure that leads were quickly followed up. Direct marketing techniques were used on the product pack entitling the purchasers to free product in return for providing details about his operation. These details were then added into the 3M database.

"Without a significant increase in advertising budget, sales targets were exceeded at a cost per sale of only £4.66," says Cole.

Another example was the Eli Lilley subsidiary, Elanco Products, a major supplier of animal health products. The company had relied almost exclusively on trade press advertising but this had failed to increase market share satisfactorily and competition was increasing.

The company needed to generate high quality leads for both its salesforce and its distributors but was heavily reliant on vets to recommend and supply its products. However, there was no UK list of vets who treated cattle and pigs. So a letter explaining how Elanco could save vets' time, and how they could ensure they received only relevant information, was mailed to practice secretaries with a simple questionnaire asking details of the practice. Response was a high 80 per cent and a second mailing to non-respondents brought further replies.

A similar exercise was conducted with farmers to establish the use of Elanco's and competitors' products. Those two projects gave strong leads and gave Elanco a comprehensive database. The latter made it possible to run highly-targeted and personalised regional promotions based on an individual distributor's territory.

Later the databases enabled the company to promote a new product very effectively – the world's first non-hormonal growth-promoting bolus for cattle use.

The launch was "a staggering success," according to Cole, reaching sales targets in a matter of weeks rather than months. As a result, Elanco is considering integrating direct marketing techniques into its total marketing plan across Europe.

Financial services

Profits in the files

THE DIRECT marketing of financial services has been the fastest growing sector of the business, increasing over the last three years at an annual rate of more than 30 per cent.

On direct mail alone, financial services now spend some £60m a year, sending out nearly 200m items.

TSB is spending £11m in the direct marketing of the group's services during the current financial year. The budget for the coming year is £13.5m.

Barclays, NatWest, Lloyds and the Royal Bank of Scotland each spent £2m-3m last year on direct mail and inserts in magazines.

Sun Alliance spent the greater part of its £10m advertising and marketing budget on the direct marketing of insurance and life assurance products through off-the-page sales and direct mail.

Not even the stock market crash last October, or the forthcoming tightening of financial advertising regulations under the Financial Services Act, seems to be putting a brake on the expansion of a business which as recently as the early 1970s was widely viewed as a suspect occupation.

The reasons for the growth – and now acceptable face – of financial direct marketing stem from the deregulation and proliferation of financial services themselves. The consumer has been faced with an increasingly baffling variety and complexity of products; the supplier faced with daunting problems of carving a niche in a highly competitive market. Both clearly had something to gain from direct communication.

As major banks and financial institutions got involved, consumer confidence in the system has grown, encouraging further expansion. Marketers found that direct response campaigns were not only a cheaper substitute in many cases for salesmen but that their results could be easily and accurately measured.

But the engine which is now beginning to generate further expansion and which, it is confidently predicted, will make direct marketing far more important than brand advertising by the turn of the century, is the computerised database.

Banks, building societies, and insurance companies have awoken to the fact that while they have been spending millions on advertising for new customers, huge profits have been waiting to be gathered from their own customer files.

According to Stuart Heather, chairman of the MSW Rapp Collins agency, whose billings have doubled to £21m since 1985, the effectiveness of communication with existing customers is rapidly improving. Banks, for instance, have begun to take a lively interest in which services each of its customers is using.

"In Britain," says Heather, "they have always been bad at thanking people for being their customers. Now they are doing it. They have realised that it is much better for business to keep existing companies happy, and to seek to meet their other needs, than to lose them and have to go out and win them back again."

For customer loyalty is not what it once was. Few people may actually change their bank. But only 19 per cent see their manager in any one year and only 52 per cent even visit their branch monthly. For many financial services, such as mortgages and loans, it has become natural to shop around. The average customer still uses fewer than two different services from the same bank.

The financial institutions are thus becoming more professional in their approach to the market – and the customer database offers them huge potential advantages.

Computerised information about a customer, gained from providing one service, can be used to great effect in selling him other services. Markets can be precisely targeted; potential customers identified by age, salary, type of residence, family circumstances, and other aspects of life style, to give the marketer a clearer picture of who they are and what they want.

Philip Watts, TSB Group communications controller, predicts that the bank's computer system, introduced in 1970 to handle the bank's accounts and transactions, will soon be used for the greater part in marketing. The TSB has 1.9m individual shareholders. "Half of them are already customers," says Watts. "But the other half is virgin territory for TSB group products. We are using direct marketing techniques to reach that new audience."

Kieron Flynn, direct marketing manager, general insurance, for Sun Alliance, one of the first big companies into direct marketing in 1971, says: "We are busy developing our client database. We are trying to get the right pipelines to the right people. Our activities are getting more refined." Sun Alliance is handling the compilation of its database with considerable care. Customers who do not wish to receive promotional material will not get it.

But they are likely to be a very small minority. Contrary to widespread belief, research shows that people tend to become more responsive to more frequent mailing. One US catalogue company increased its profits 10-fold over a three year period simply because it began to communicate with its customers 14 times a year instead of twice.

With more precise targeting, the chance of irritating customers with "junk mail" should diminish. For the marketers, the advantages are obvious, not least the promise, as Stuart Heather says, of "saving three million postage stamps and a couple of rain forests" by sending mail to a million customers instead of blanketing four million with the message.

Philip Watts suggests that the advent of cable television and the spread of home banking will increase the opportunities for marketers to get direct messages to selected customers.

The detailed customer profiles that many institutions are now building make some people nervous. "I don't really know why," says Rod Wright, managing director of Ogilvy & Mather Direct, one of the sector's leaders with billings of £40m. "It will enable a bank or any other financial institution to provide people with a much better, personal service."

In Britain, so far, Wright says, this process has "only got 30-40 per cent along the track." In many ways, adds Drayton Bird, O & M Direct's vice-chairman, the use of databases is still quite primitive. In theory they could fulfil the ultimate aim of marketing – to make selling superfluous by knowing and understanding the customer so well that his every need is anticipated.

"But too many think that you can sling information in one end and money comes out of the other," says Bird.

Many financial institutions are still not doing enough to improve service and build customer relationships.

Philip Rawstorne

Case study: Automobile Association

More than motoring cover

DIRECT MARKETING lends itself to the efficiencies of modern technology much more than advertising does, and specialists in the industry soon build up a database of relevant information about customers and prospective customers. This is especially true of major organisations like the Automobile Association.

Around five years ago the AA realised it could market much more to its almost seven million members than motoring cover and has considerably built up its revenue by extending its services.

One field it has pioneered is insurance and it is now the largest broker in the UK for life insurance on personal lines, that is non-commercial business. Last year AA Protection and Insurance Planning, the life side of the AA's insurance activities, called upon WWAV, the direct marketing company, to develop an approach for selling life insurance among its members.

It is a major project, with tremendous potential but, as ever in direct marketing, WWAV went for a pilot test. It selected 20,000 names and addresses from the AA files, on a fairly random basis, to discover whether there was a public demand for a service which would supply people with impartial advice on their insurance needs. The first mail shot was general in approach – would you like unbiased information on how you might plan for the protection of your family? At the same time it found out whether you were adequately covered already.

Those who responded to the initial enquiry received a lengthy questionnaire which went into everything from their income and family background, to their investments and current insurance cover. The response was at the anticipated level. WWAV and the AA worked out a sophisticated software programme which converted the questionnaires into relevant practical information.

In essence, it told AA Protection and Investment Planning just what the respondent needed in adequate insurance cover, both now and in 10 and 20 years time. What would happen if one partner in a marriage died – to the family income, to the home, to the education of the children – and how much extra insurance cover was needed to guard against such an eventuality?

Some, in particular single people, obviously did not need much protection; others could be seriously under-insured. The computer came out with long-term proposals, based on quotations from 20 insurance companies, which were then sent to the respondent in a third mailing shot.

This is now with the enquirers, and gives them a range of quotations for insurance cover. As a broker, the AA service uses numerous insurance companies and thus avoids the hard sell methods of individual insurance companies, or controlled brokers. The recommendations are fitted to the known needs of the AA member, with the application forms completed by the computer system which is regarded as one of the most sophisticated in the country. Most respondents already had some insurance cover so it was mainly a matter of bringing them up to date.

This imaginative use of a database will be exploited by the AA both for insurance and its other sales efforts. The response rate has been good enough to cover the costs of installing the computer programme and the marketing – and more – and it is now being rolled out, with 100,000 members being approached each month and offered this free advice service.

It is regarded as a more effective way of sorting out insurance needs than face to face confrontations, when the potential customer is often wary and flustered; the questionnaire and the computer remove the ambiguities. Not many organisations have such a good client database as the AA – and few are making as imaginative use of it.

Anthony Thorncroft

Case study: the Army

Broader search for officers

THE ULTIMATE marketing dream is an advertising campaign which both boosts the image of the product and also increases its sales. The Army seems to have devised such an approach with its recent drive to recruit officers.

Its advertisements have always carried a coupon to inspire applicants, as a twin track to its well established local recruitment efforts. But it took a visit by a top brass officer to the US to examine the American hard sell approach, plus the appointment of a direct marketing agency, to shift the balance more towards off-the-page recruitment of officers.

In the end, the Army appointed RSVP, the newly-formed direct marketing subsidiary of its long-linked advertising agency, Colletts, to spearhead its concentration on direct selling. RSVP has worked closely with the agency, using its creative approach built around colour page advertisements in the quality Sundays and dailies, plus a few tricks of the direct marketing world.

Because the advertising is both selling the Army, and recruiting new officers, the client is prepared to carry a response rate which might seem low in conventional direct marketing terms.

One obvious innovation was to add a telephone number for enquiries. These went through to a handling house which sent off an information pack within 12 hours. There was an immediate rise in the number of applications, although at the moment the coupon still pulls in more enquiries than the phone. This should change in the near future. All the enquiries are fed into a database allowing RSVP to build up a pool of information about where the Army might find likely officers. In the past its search has concentrated on certain schools and universities. Now it can exploit a much broader section of the population.

The information pack consisted of a booklet describing the daily lives of six representative officers, together with a run-through of the opportunities offered by the Army. There was also an introduction form which clearly stated it was not an application form. Respondents were then directed towards local recruitment offices where they were introduced to possible regiments. If the first unit did not appeal, others could be recommended. And if there was no response to the first enquiry, there was just one more gentle reminder for the applicant.

One important innovation was the creative element in the approach. It was designed to be enjoyable, and applicants were soon wrestling with Trivial Pursuit-type questions in the information pack. Photographs were blended with graphics, and the whole mailing shot was decidedly un-stuffy. Not surprisingly, the number of enquiries were double expectations, and the approach, perfected in the spring of 1987, is now repeated three times each year.

RSVP is building up a considerable database of information about young people interested in becoming army officers. In the past, the Army found it difficult to control the processing of prospective recruits: local offices were sometimes laws to themselves. Now the database, with its information about every school, college and university in the country, masterminds the operation centrally, passing on respondents who have already shown some real interest in joining the Army. This greatly improves cost efficiency. It has also generated many more enquiries. The actual response rate seems to be a state secret but over 20 per cent of the initial enquirers go on to complete the introduction form.

So impressed is the Army by direct marketing that it is planning to extend the system to its recruitment of servicemen and Territorials. Colletts, too, has been affected by the experience and is adapting its advertising to reflect the information pouring in from the direct marketing. It will take up to 18 months for a recruit to progress from the first telephone call to entering Sandhurst; so a complete evaluation of the new approach, which started early in 1987, is not yet possible. But all the signs are that it has proved a success.

Antony Thorncroft

EC Farm Ministers agree to reinstate hormone ban

BY TIM DICKSON IN BRUSSELS

EUROPE'S FARM Ministers yesterday agreed to reinstate the controversial directive banning the use of hormones in meat production - despite the strong opposition of Britain's Agriculture Minister, Mr John MacGregor.

The 11 to one vote was taken yesterday afternoon after the European Commission had resubmitted its original proposal on this subject, which was approved by member states in December 1985.

This immediately became the subject of legal action by Britain against the Council of Ministers on the grounds that vital scientific evidence had been ignored, that the wrong legal base had been used for the directive, and that important procedures had been ignored. In a surprise judgement last month the European Court of Justice upheld the UK's case but only on the technical grounds that the Council had infringed its own rules of procedure.

The directive has inspired fierce criticism from the pharmaceuticals lobby and from important EC trading partners, notably the US, which threatened last year to start a trade war if the ban was not lifted.

Notwithstanding speculation that Mr Frans Andriessen, the EC's Farm Commissioner might want to revise some of the details the Commission decided yesterday to re-present the directive without changes.

Mr MacGregor reiterated Britain's strong opposition to the ban and argued that serious trade problems could arise with third countries. He also pointed out that the prohibition of what he said were safe products was encouraging a rise in black market sales of hormone substances which were universally deplored and that there could be major difficulties for the intra-community meat trade. Reports from Italy, he added, showed that certain beef producers had defied the previous ban.

Yesterday's decision means that the ban will be backdated to January 1 - the starting date of the original directive - but the one-year delay for intra Community trade in hormone treated beef will stay. This was agreed last November as a means of averting the threatened dispute with the Americans.

Jamaica settles aluminium row

By Canute James in Kingston

THE JAMAICAN Government is to buy a 44 per cent stake in the local bauxite mining and refining operations of the Aluminum Company of America, ending a five-week dispute over the company's involvement in the industry.

Mr Edward Seaga, Jamaica's Prime Minister and Finance Minister, said the purchase will cost $25.6m, bringing the Government's share in Alcoa's Jamaican operations to 50 per cent. The state already owns 6 per cent of the facilities, which are based on a 750,000 tonnes-a-year refinery.

The agreement follows the Government's objections to the conditions under which Alcoa reclaimed its refinery on February 1, three years after closing the plant because of weak demand for alumina. In July 1985, the refinery was leased from Alcoa and reopened by Clarendon Alumina Productions, a state-owned company.

An apparent breakdown of negotiations between the Government and Alcoa for the state's purchase of the refinery was followed by Alcoa's decision to reclaim the plant from Clarendon. The Government argued, however, that it had not received from Alcoa any assurances that it would operate the plant at full capacity, and that it would not close the facility except under conditions mutually agreed beforehand.

For its part, Alcoa asked the Government to ensure the right conditions for it to pursue its investment – a request taken by industry sources to be a call for reductions in the rates of a controversial production tax.

For the first 10 days after reclaiming the refinery, Alcoa was forced to feed the plant from stockpiled ore as the Government refused to give it a mining permit. The permit was eventually granted, amid indications that the company and the Government were close to an agreement to resolve their differences.

In his statement, Mr Seaga said the dispute between Alcoa and his administration had been settled. "This 50-50 arrangement enables us to guarantee that the plant will operate to whatever capacity we desire by allowing us to take over any share of production which Alcoa does not desire," the Prime Minister reported.

He said there had also been agreement that the refinery's capacity will be expanded to 1m tonnes per year. In addition to mining ore to feed the refinery, Alcoa has undertaken to make direct exports of raw ore.

Alcoa and the Government had also differed on the timing of construction of a depository for the residue from the refinery. Mr Seaga said the agreement on the state's participation in the plant included provisions for an immediate start to the construction of the depository. He said also the agreement between his administration and Alcoa was "a remarkable one".

The conclusion of the deal will significantly ease concerns in the industry, which is expected to produce 7m tonnes of ore this year, compared with 7.9m tonnes in 1986. The expansion of the refinery and the agreement by Alcoa to ship raw ore is expected to lead to higher output than had been forecast.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium standard	−1,975	to 19,575
Aluminium high grade	+2,650	to 38,850
Copper	+1,750	to 28,600
Lead	−75	to 20,525
Nickel	+786	to 2,778
Zinc	1,925	to 37,450
Tin	−50	to 19,085
Silver (oz)	unchanged	at 19,608,000

Alcan agrees pay pact with unions

By Robert Gibbens in Montreal

ALCAN ALUMINIUM has reached a three-year pay pact with 13 unions representing 6,000 workers at three of its Quebec smelters. The plants have capacity of 552,000 tonnes of ingot a year.

Alcan and the unions have been negotiating since last June, and the last contract expired on August 31, 1987. The new one runs to March 5, 1991.

The pact provides for pay increases of 3 per cent, 3.5 per cent, and 4.5 per cent for a total of 11 per cent, plus partial indexing to the cost of living. The indexing formula is unchanged. Each worker also gets a C$1,000 lump sum payment.

The smelters accepting the pact are located north of Quebec City and near Montreal. Another smelter outside Montreal, at Shawinigan, has been shut down since last October because Alcan was in dispute with another union. The new pay pact is expected to lead to a settlement at Shawinigan.

Alcan's most modern smelter, Grande Baie, north of Quebec City, with 171,000 tonnes capacity, is not unionised.

Paris show highlights plight of export body

By Bridget Bloom in Paris

THE ABILITY of British companies to mount an effective presence at some of the world's major agricultural shows and so take advantage of big export markets could be seriously undermined if the British Agricultural Export Council goes into liquidation, executives of the organisation and companies represented at this week's Paris agricultural show believe.

The BAEC, which has organised a sizeable British stand at this year's Paris agricultural salon, has a deficit of some £60,000 this year. Unless new sources of finance can be found, Mr Peter Sillars, chief executive, announced last week, the organisation will be disbanded at the end of this month.

Mr John MacGregor, the British Minister of Agriculture, visiting the British stand here yesterday, repeated the Government's view that if the industry itself cannot fund BAEC then it must fold.

A subvention from government of £40,000 last year was a once-for-all payment, he said.

Some of the smaller British exhibitors on the BAEC-run stand here this week believe that without the organisation's help they would neither have had the time nor the resources to attend the show.

Mr David Jones, director of Greenfields, an animal breeding company which is exhibiting for the first time, said BAEC's help had been invaluable. He said it will be "a tragedy if it disappears."

BAEC, which represents the agricultural supply and service industries rather than farmers or producers, reckons the market they cover is worth just over £1bn in British exports a year.

The organisation, founded 20 years ago as a government quango, has seen its membership decline from 170 to 120 in three years, partly because of recession in the industry.

British exhibitors here are particularly bitter since they believe that other European Community countries organise their export promotion much better, with national pavilions being funded by several trade associations at once, under government aegis.

According to Mr Claude Jean, the general secretary of the Paris agricultural salon, the show this year has 23 states exhibiting, though visitors come from more than 100 countries.

Paris is probably the biggest covered world agricultural show, with 100 exhibitors and 1,800 different makes of agricultural equipment on show.

The show, contained in seven huge halls at the Porte de Versailles on the edge of Paris is less of a family show than Britain's Royal Agricultural Show in July. *"Ici on parle business,"* said Mr Jean.

James Buxton on one of Scotland's fastest growing industries

Output of farmed salmon leaps

NO ONE who visits the highlands and islands of Scotland nowadays can fail to be struck by the dramatic proliferation of salmon farms. In countless inlets and sealochs from Argyll to the Shetland Islands you see clusters of floating cages in which salmon swim round for two years, as they are reared for market.

Inland is a burgeoning industry rearing salmon in the earlier stages. Plants are springing up to pack fish, make products such as smoked salmon and to produce the feed which the captive salmon consume.

To those responsible for the economic development of the highlands and islands, which have a total population of less than 300,000, the salmon farming industry is a superb success story. With its cousins in shellfish and trout it employs, directly and indirectly, about 5,000 people – having been virtually non-existent before 1980.

It is unusually well-suited to the way of life of people in the highlands and islands, and is reversing the decline of population in some areas, keeping open *schools that might otherwise* have closed.

But the reactions of conservationists, seeing once desolate places becoming a little more active, range from the concerned to the apoplectic – and fears remain that the bubble will burst at some stage.

The rate of increase in farmed salmon output is impressive. Last year it reached 12,700 tonnes, dwarfing catches of wild salmon which in recent years, under the pressure of fishing on the high seas, have come down to only about 1,000 tonnes. But this year the Government expects output of farmed salmon nearly to double to 22,000 tonnes, and almost to double again in 1989 to 40,000 tonnes.

New farms are still being set up and existing ones expanded. Furthermore production from Norway, which began farming Atlantic salmon a little earlier than Scotland, is forecast to reach 47,000 tonnes this year and 70,000 tonnes in 1989.

But can the market absorb this vastly increased quantity of fish without a catastrophic drop in prices?

Some people in the industry doubt whether the forecasts will actually be met: for the past two years output has increased by less than was predicted, as producers new to the industry made over-optimistic estimates of the future weight of the fish they were rearing. Furthermore the extra salmon on the market may only be replacing white fish, catches of which are still declining as a result of earlier over-fishing.

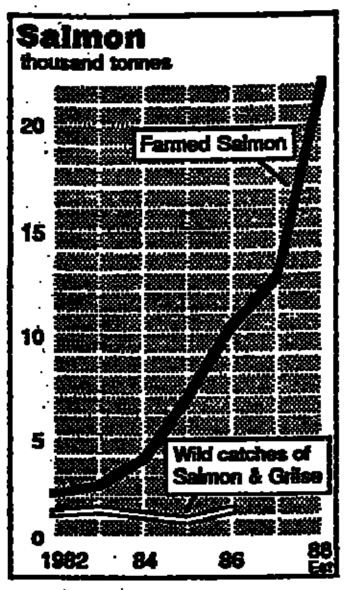
But even if the future output makes less of a dent in the total fish market than might at first appear, more housewives will still have to be persuaded to eat salmon.

The Government, which through the Highlands and Islands Development Board has put £20m into salmon farming, has for the past two years been urging the farmers to improve their marketing. Until now, however, the bigger producers, led by Marine Harvest, a Unilever subsidiary, have had no difficulty in disposing of their production.

Last month, nevertheless, the Scottish Salmon Farmers' Marketing Board was established to advertise and promote the fish in Britain, France and the US. Fish farmers are expected to contribute to the board no less than two per cent of their turnover, currently about £100m a year. It has the delicate task of greatly broadening the market for salmon while ensuring that it remains an up-market product. That means convincing housewives in higher income brackets that salmon is no longer a rarity – farming makes it available fresh all the year round – and that it is easy to cook, as well as being "healthy".

Salmon farmers, who saw good prices in 1987, seem reasonably optimistic about price levels this year, currently standing at about £2.50 per lb of Atlantic salmon. But the prices are susceptible to factors such as surges of supply from Norwegian producers, currency fluctuations affecting export market markets and the vastly larger output of Pacific salmon from North America.

Although some salmon growers are predicting a rosy future for the industry newcomers have a number of potential problems to consider:



● Most of the good sheltered sites on the west coast have already been snapped up, leaving the more exposed inlets where fish cages are more likely to be wrecked.

● Diseases, not all of which have cures, can cause severe losses.

● It requires skilful genetic management of the salmon stock to prevent too many fish maturing after only one year in the sea rather than two. The fish that matures after one year - called a grilse - is smaller than a salmon and is often difficult to sell profitably.

● The price of salmon feed, based in part on soya, fluctuates strongly.

The expansion of the industry as a whole is also challenged by the conservation lobbies, mainly deploring what they see as the invasion by salmon farmers of wild and remote places. Some yachtsmen are complaining that fish farming is taking away good anchorages.

The principal arbiter of the industry is the Crown Estate, which owns the seabed in coastal waters around Britain and has to give its consent to the mooring of cages – for which it now charges an unpopular commercial rent. Until 1986 the Crown Estate gave permission with little consultation with other bodies and was criticised by conservationists for secretive procedures leading to an apparently uncontrolled proliferation of salmon farms.

In 1986 the Crown Estate set up a broad consultation process for fish farm applications which can involve up to about 15 bodies, including local authorities: in its first year of operation about 40 per cent of salmon farm applications were rejected - partly, it appears, as a result of objections on environmental grounds. Last December the Crown Estate issued guidelines for making salmon farms blend better into the landscape and indicated that in certain sensitive areas permission for new farms would be difficult to obtain.

But the environmentalists are still worried. Last month the National Trust for Scotland told the Scottish Office that the rapid expansion of fish farming was "having effects of national importance" on landscape, inshore navigation, nature conservation and demands on infrastructure such as roads. It asked the Government to produce national guidelines on fish farming "as a matter of urgency" and set up stricter planning controls.

A body called the Scottish Scenic Trust – which is based in London – wants the Government to declare certain sealochs out of bounds to fish farming altogether, and also wants tighter planning controls, with a downgrading of the role of the Crown Estate.

The Scottish Animal Rights Group this week said it was getting an animal rights body in the US to lobby for the banning of Scottish salmon imports because of the "slaughter" by fish farmers of seals and wildfowl.

Protests of this kind enrage both the farmers and the HIDB, which believes it has found a winner in fish farming that will help revive parts of the highlands after a century-and-a-half of devastating decline. At the annual fish farmers' conference in Inverness last month Mr Archie McCunn, a leading member of the HIDB, strongly attacked the conservationists, especially those based outside Scotland. Fish farming, he said, was *involved in conservation* – the conservation of communities in order to bring long term job security and prosperity.

Far East demand shores up gold coin sales

BY KENNETH GOODING, MINING CORRESPONDENT

SALES OF gold bullion coins, which surged following the stock markets crash last October, have fallen back below last year's level in Europe and North America in the early part of 1988. But demand has remained very strong in the Far East.

This has almost certainly given the Maple Leaf gold coins produced by the Royal Canadian Mint a clear lead over their rivals, the American Eagle coins made by the US Mint.

The Canadian Mint launched its coins as long ago as 1979 and in recent years has backed them with strong world-wide distribution and promotional support, whereas the US Eagle has been available for only two years.

Preliminary figures show that in 1987 the Maple Leaf coins kept their position as the world leaders and accounted for between 1.3m and 1.5m troy ounces of gold compared with 1.5m ounces in 1986.

The US Eagle, which achieved sales equivalent to 1.8m ounces of gold in 1986 and in the process became the best-selling gold coins in the US, last year dropped back to about 1.3m ounces.

After the stock markets collapsed, sales of the US Eagle soared to about 300,000 ounces a month, which put up the monthly average for 1987 to about 105,000 ounces.

The US Mint says that for the past three months sales have dropped to 70,000 ounces a month.

The Canadian Mint also admits that: "North American and European investors are on the sidelines and probably will stay there until the price of gold goes up".

However, the Far Eastern investors traditionally buy gold of all sorts when prices are weak "and, as far as the Maple Leaf is concerned, their bullishness is offsetting the drop in sales elsewhere", it says.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA PRICES continued their sharp decline yesterday as strong sterling against the dollar drove the market - already bearishly inclined - down to fresh 5¼-lows. The second position futures contract closed at £971 a tonne, down £27. The International Cocoa Organisation, *meeting in London for crisis talks on how* to stop the rot, estimated the surplus for the 1987/88 crop at 81,000 tonnes. But traders, already pessimistic about the outcome of the ICCO talks, are talking of a surplus as high as 150,000 tonnes, dampening sentiment further. Meanwhile nickel prices retreated on the LME after touching record highs early in the day. The three-month contract fell back to $10,125, an increase of only $12.50 a tonne, as profit-taking took hold helped by a rise of 786 tonnes in stocks at LME warehouses last week to 2,778 tonnes. Aluminium prices rallied, aided by a background of constructive charts and sound fundamentals.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.98-3.05y	-0.45
Brent Blend	$13.90-4.00z	-0.025
W.T.I.(1 pm est)	$15.40-5.45y	-0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$167-170	
Gas Oil (Soviet)	$125-126	-2.50
Heavy Fuel Oil	$63-65	-1.00
Naphtha	$137-140	-1.50
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$436.50	+0.25
Silver (per troy oz)♣	640c	-7.00
Platinum (per troy oz)	$476.85	+3.60
Palladium (per troy oz)	$120.50	+1.00
Aluminium (free market)	$2315	+85
Copper (US Producer)	108⅝-10c	+4.00
Lead (US Producer)	35.50c	
Nickel (free market)	570c	+30
Tin (European free market)	£3790	-95
Tin (Kuala Lumpur market)	17.42r	+0.02
Tin (New York)	318.50c	
Zinc (Euro. Prod. Price)	$905	
Zinc (US Prime Western)	45.375c	+1.150
Cattle (live weight)†	110.17p	+2.37*
Sheep (dead weight)†	194.08p	+35.27*
Pigs (live weight)†	69.45p	+3.27*
London daily sugar (raw)	$222.60x	+6.60
London daily sugar (white)	$234.00x	+4.50
Tate and Lyle export price	£231.00	+2.00
Barley (English feed)	£108.50	+1.00
Maize (US No. 3 yellow)	£135.00	
Wheat (US Dark Northern)	£94.50s	
Rubber (spot)♥	63.25p	-0.50
Rubber (Apr) ♥	67.50p	-0.50
Rubber (May) ♥	67.25p	-0.50
Rubber (KL RSS No 1 Mar)	285.00my	
Coconut oil (Philippines)§	$530.00x	-5.00
Palm Oil (Malaysian)§	$382.50u	-2.50
Copra (Philippines)§	$365.00x	
Soyabeans (US)	£152.50x	-4.00
Cotton "A" index	66.70c	+0.10
Wooltops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. z-Mar. u-Apr/Sep. x-Mar/Apr. y-Apr. t-Apr/Jun. s-Apr/May.† Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

COFFEE £/tonne

SUGAR $ per tonne

GAS OIL $/tonne

GRAINS £/tonne

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

POTATOES £/tonne

SOYABEAN MEAL £/tonne

FREIGHT FUTURES $10/index point

LONDON BULLION MARKET

LONDON METAL EXCHANGE TRADED OPTIONS

TEA

New York

Chicago

INDICES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound breaks through DM3.00

STERLING WAS hemmed in on all sides and the authorities had no option but to uncap the currency at the DM3.00 level, according to a senior dealer at one of London's leading merchant banks. This comment was made after the pound rose yesterday to its highest level against the D-Mark for 18-months.

He added that there is also no reason to believe the Bank of England has any desire to prevent another upward move, having set an apparent ceiling of DM3.05 yesterday.

This was the level the central bank re-entered the foreign exchanges to sell sterling, having been absent in the early morning, when the pound surged upwards.

A level of DM3.10 is seen as the next target, where dealers suggest the market may be tempted to pause for breath. It was assumed the directive to let the pound move through its recent barrier against the D-Mark came to the Bank of England from the the Chancellor, Mr Nigel Lawson, and the Treasury, ahead of next week's Budget.

Dealers feel the Bank of England had run out of room to manoeuvre on interest rates, and found it too expensive to continue selling the pound, taking D-Marks into the reserves.

The interest rate differential of about 6 percentage points in favour of London against Frankfurt makes UK assets particularly attractive at a time when there is no sign of losing any gains on the exchanges.

Mr Stephen Hannah, economist at County NatWest, said the Government appears determined not to let industry escape from the consequences of high wage settlements, with a decline in the value of sterling, simply in an attempt to remain competitive in export markets.

But he added it will have set a difficult target of defending exchange rate policy later in the year, unless the pound is slowly nudged lower in the near future. Mr Hannah said he cannot see how the Bank of England can move either way on interest rates, for fear of pushing sterling higher, or allowing overheating, against the background of fast credit growth and strong economic expansion.

Sterling rose to DM3.0475 from DM2.9975, and climbed to FFr10.32 from FFr10.1425; to SFr2.5175 from SFr2.4825; and to Y233.00 from Y228.50. It also advanced 4.45 cents to $1.8180-1.8190.

The pound's index, on Bank of England figures, rose to 76.2 from 74.8.

The dollar's index fell to 93.9 from 94.5 as demand for sterling put downward pressure on the US currency. There were no new factors and the dollar was on the sidelines, with dealers looking for no strong reaction on the foreign exchanges to the result of the Super Tuesday presidential primary elections.

The dollar fell to DM1.6765 from DM1.6895; to FFr5.6750 from FFr5.7175; to SFr1.3840 from SFr1.3990; and to Y128.10 from Y128.75.

D-MARK - Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. February average 1.6966. Exchange rate index 149.4 against 147.3 six months ago

The D-Mark rose against the dollar, but lost ground the strong pound in Frankfurt. The West German Bundesbank did not intervene when the dollar was fixed at DM1.6860, or when the pound was fixed at DM3.0320, compared with DM3.000 on Friday. Sterling's fixing was the highest since September 15, 1986.

On the other hand the D-Mark advanced against the Italian lira, which is the weakest member of the European Monetary System. At the Milan fixing the Bank of Italy sold an estimated DM20m, as the D-Mark was fixed at L737.15, against L736.79 on Friday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar.7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2693	+1.91	+0.92	±1.5344
Danish Krone	7.85212	7.90357	+0.66	-0.33	±1.5404
German D-Mark	2.05853	2.06960	+0.54	-0.45	±1.0981
French Franc	6.90403	7.00703	+1.49	+0.50	±1.3674
Dutch Guilder	2.31943	2.32302	+0.15	-0.84	±1.5012
Irish Punt	0.768411	0.775382	+0.91	-0.08	±1.6684
Italian Lira	1483.58	1526.09	+2.87	+2.43	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar.7	Latest	Previous Close
£ Spot	1.8160-1.8170	1.7795-1.8005
1 month	0.34-0.32pm	0.34-0.32pm
3 months	1.08-1.04pm	1.08-1.04pm
12 months	4.05-3.95pm	4.05-3.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.7	Previous
8.30 am	74.8	74.8
9.00 am	74.8	74.8
10.00 am	75.6	74.8
11.00 am	75.6	74.8
Noon	75.7	74.8
1.00 pm	75.8	74.7
2.00 pm	76.1	74.8
3.00 pm	76.1	74.7
4.00 pm	76.2	74.8

CURRENCY RATES

Mar.7	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.767220	0.681442
U S Dollar	6	1.35798	1.22898
Canadian $	8.75	1.70562	1.54176
Austrian Sch.	3	16.1491	14.5413
Belgian Franc	6½	48.1098	43.2693
Danish Krone	7½	8.78953	7.90357
Deutsche Mark	2½	2.30178	2.06960
Neth. Guilder	3¼	2.58559	2.32302
French Franc	9½	7.78869	7.00703
Italian Lira	12½	N/A	1526.09
Japanese Yen	2½	175.519	157.924
Norway Krone	8	8.66120	7.79727
Spanish Peseta	-	154.402	138.826
Swedish Krona	7½	N/A	7.33824
Swiss Franc	2½	1.90457	1.71074
Greek Drach.	20½	184.156	165.980
Irish Punt	-	N/A	0.775382

*All SDR rates for Mar.4

CURRENCY MOVEMENTS

Mar.7	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.2	-18.7
U S Dollar	93.9	-12.3
Canadian Dollar	80.1	-6.6
Austrian Schilling	140.4	+10.8
Belgian Franc	100.6	-4.6
Danish Krone	93.7	+2.8
Deutsche Mark	149.4	+22.9
Swiss Franc	177.2	+23.8
Guilder	138.0	+15.6
French Franc	71.8	-13.3
Lira	47.0	-19.1
Yen	239.7	+79.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)** Rates for Mar.4

OTHER CURRENCIES

Mar.7	£	$
Argentina	11.4130-11.5135	6.2900-6.3400
Australia	2.4835-2.4865	1.3700-1.3710
Brazil	185.15-186.25	102.05-102.55
Finland	7.3390-7.3610	4.0450-4.0470
Greece	238.25-244.65	134.20-136.50
Hong Kong	14.1295-14.1470	7.7975-7.7995
Iran	120.35*	67.50*
Korea(Sth)	1342.90-1355.05	757.10-763.30
Kuwait	0.50100-0.50150	0.27590-0.27605
Luxembourg	63.80-63.90	35.05-35.15
Malaysia	4.6620-4.6735	2.5730-2.5760
Mexico	4118.90-4140.50	2270.00-2280.00
N. Zealand	2.7180-2.7210	1.4980-1.5005
Saudi Ar.	6.8100-6.8155	3.7500-3.7510
Singapore	3.6455-3.6550	2.0120-2.0140
S. Af (Cm)	3.8900-3.9105	2.1435-2.1485
S. Af (Fn)	5.0365-5.1795	2.7780-2.8570
Taiwan	50.70-50.95	28.60-28.70
U.A.E.	6.6690-6.6750	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Mar.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7740-1.8195	1.8180-1.8190	0.31-0.28cpm	[illegible]	[illegible]	[illegible]
Canada	2.2250-2.2840	2.2830-2.2840	0.09-0.02cpm	[illegible]	[illegible]	[illegible]
Netherlands	3.36¼-3.43	3.42-3.43	1¾-1¼cpm	[illegible]	[illegible]	[illegible]
Belgium	62.62-63.90	63.80-63.90	22-10cpm	[illegible]	[illegible]	[illegible]
Denmark	11.44½-11.64¾	11.63¾-11.64¾	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 63.80-63.90. Six-month forward dollar 1.79-1.74cpm 12-month 3.42-3.32cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Mar.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	1.8800-1.9005	1.8825-1.8835	0.48-0.46cpm	2.98	1.33-1.30pm	2.78
Belgium	35.00-35.40	35.05-35.15	3.50-2.50cpm	0.68	9.00-4.00pm	0.74
Denmark	6.39¾-6.46¾	6.40-6.40½	0.70-1.40oredis	-1.96	2.65-3.35dis	-1.87
W. Germany	1.6735-1.6935	1.6760-1.6770	0.53-0.50pfpm	3.67	1.47-1.42pm	3.43
Portugal	137-137¼	137-137½	90-120cdis	-9.13	260-310dis	-8.26
Spain	112.33-113.50	112.35-112.45	37-47cdis	-4.46	113-123dis	-4.18
Italy	1235-1248	1236¼-1236¾	3.90-4.00liredis	-3.62	11.50-12.50dis	-3.86
Norway	6.31-6.37	6.31-6.31½	3.85-4.20oredis	-7.62	11.40-11.80dis	-7.32
France	5.67-5.72¼	5.67¼-5.67¾	0.35-0.45cdis	-0.84	1.45-1.60dis	-1.07
Sweden	5.94½-6.00¼	5.95¼-5.95¾	1.20-1.50oredis	-2.85	3.65-4.05dis	-2.71
Japan	128.00-128.85	128.05-128.15	0.30-0.27ypm	2.66	0.85-0.80pm	2.57
Austria	11.78-11.88	11.78½-11.79	3.30-3.00gropm	3.39	8.70-7.70pm	2.77
Switzerland	1.3815-1.4020	1.3835-1.3845	0.69-0.64cpm	5.73	1.77-1.72pm	5.01

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.05-35.15.

EURO-CURRENCY INTEREST RATES

Mar.7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8¼-7⅞	8¼-8	8⅞-8⅝	9⅛-8⅞	9⅜-9⅛	9½-9⅜
US Dollar	6⅛-6½	6⅞-6⅝	6⅞-6⅝	6⅞-6¾	7-6⅞	7⅛-7⅞
Can. Dollar	8¼-8¼	8½-8¼	8⅝-8⅞	8¾-8⅞	8⅞-8⅞	9-8⅞
D Guilder	3⅞-3¾	3⅞-3⅝	4-3¾	4⅛-3⅞	4⅛-4	4⅜-4⅛
Sw. Franc	1⅝-1¼	1⅝-1½	1⅞-1⅞	2-1⅞	2⅜-2⅛	2⅜-2⅛
Deutschmark	3¼-3⅛	3⅛-3⅜	3¼-3⅜	3⅜-3⅜	3⅜-3⅜	3⅝-3⅜
Fr. Franc	7⅝-7⅜	7⅝-7⅜	7⅝-7⅜	7⅝-7⅜	8⅛-8⅛	8⅜-8⅛
Italian Lire	11⅛-9⅛	10⅝-9⅜	10⅝-10	10⅝-10⅛	10⅞-10½	11⅛-11
B. Fr. (Fin)	6⅛-6	6⅛-6	6⅛-6	6⅛-6	6⅛-6	6⅛-6⅛
B. Fr. (Con.)	6⅛-5⅞	6⅛-5⅞	6⅛-6	6⅛-6	6⅛-6⅛	6⅝-6⅛
Yen	3⅞-3⅜	3⅞-3⅜	4⅛-4⅛	4⅛-4⅛	4⅜-4⅛	4⅝-4⅜
D. Krone	8⅞-8⅜	8⅞-8⅜	9-8⅝	9⅛-8⅞	9⅛-8⅞	9⅞-9⅞
Asian $Sing	6⅞-6⅝	6⅞-6⅝	6⅞-6⅝	6⅞-6¾	7-6⅞	7⅛-7⅞

Long term Eurodollars: two years 7⅞-7⅝ per cent; three years 8⅛-8 per cent; four years 8⅛-8⅛ per cent; five years 8⅜-8⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar.7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.819	3.048	233.0	10.32	2.518	3.423	2249	2.284	63.85
$	0.550	1	1.676	128.1	5.673	1.384	1.882	1236	1.256	35.10
DM	0.328	0.597	1	76.44	3.386	0.826	1.123	737.9	0.749	20.95
YEN	4.292	7.807	13.08	1000.	44.29	10.81	14.69	9652	9.803	274.0
F Fr.	0.969	1.763	2.953	225.8	10.	2.440	3.317	2179	2.213	61.87
S Fr.	0.397	0.722	1.210	92.53	4.098	1	1.359	893.2	0.907	25.36
N Fl.	0.292	0.531	0.890	68.07	3.015	0.736	1	657.0	0.667	18.65
Lira	0.445	0.809	1.355	103.6	4.589	1.120	1.522	1000.	1.016	28.39
C $	0.438	0.796	1.335	102.0	4.518	1.102	1.499	984.7	1	27.96
B Fr.	1.566	2.849	4.774	364.9	16.16	3.944	5.361	3522	3.577	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling lifts gilts

STERLING DENOMINATED financial futures closed a little below the day's highs on Liffe yesterday, after trading had been influenced strongly by the surge of sterling on the foreign exchanges, but failed to continue the pace of the early market.

The gains in UK instruments happened mostly in the morning, with little reaction seen to the pound's further advance after lunch.

June long term gilts hit a peak of 122-16 in the morning, before easing back to close at 122-11, compared with 121-04 on Friday.

Traders were rather nervous about official UK policy on sterling, after a long period when DM3.00 was regarded as the top. The strong advance above this level was accompanied by concern that levels of DM3.10 and above will prove unsustainable if they are reached.

Fears were voiced that a widening of the UK trade deficit later in the year will produce a retreat by the pound. This in itself is likely to result in higher UK interest rates, while there is also no prospect of any immediate cut in rates, because of worries about the implications of fast economic growth.

It was noted that cash rates did not fall very far, in spite of sterling's advance, and continued to underpin the present bank base rate level of 9 p.c., with three-month interbank easing only about ⅛ p.c. yesterday to 9 1/16-8 15/16 p.c.

Three-month sterling deposit futures opened at the day's low of 90.68 for June delivery, and rose to a peak of 90.87, before closing at 90.82, against the previous settlement of 90.60.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
104	—	47	—	637
106	—	—	—	—
108	—	—	—	—
110	1223	—	1	—
112	1026	—	4	—
114	831	—	9	—
116	641	—	19	—

Estimated volume total, Calls 1941 Puts 2023
Previous day's open int. Calls 27110 Puts 14497

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
86	661	636	33	108
88	516	510	52	146
90	348	361	120	233
92	225	251	161	323
94	124	163	260	435
96	48	124	420	560
98	25	58	561	730

Estimated volume total, Calls 164 Puts 275
Previous day's open int. Calls 810 Puts 573

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
17000	1250	1545	40	125
17500	829	1157	119	237
18000	491	828	281	408
18500	254	563	544	643
19000	114	364	904	944
19500	44	223	1334	1303
20000	14	—	1804	—

Estimated volume total, Calls 5 Puts 0
Previous day's open int. Calls 36 Puts 73

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike Price	Calls-settlements		Puts-settlements	
165	[illegible]	[illegible]	[illegible]	[illegible]
170	[illegible]	[illegible]	[illegible]	[illegible]
175	[illegible]	[illegible]	[illegible]	[illegible]
180	[illegible]	[illegible]	[illegible]	[illegible]
185	[illegible]	[illegible]	[illegible]	[illegible]
190	[illegible]	[illegible]	[illegible]	[illegible]
195	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls				Puts			
1.700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.725	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.750	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.775	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.825	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.850	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

[illegible]

JAPANESE YEN (IMM)

[illegible]

DEUTSCHE MARK (IMM)

[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]

SWISS FRANC (IMM)

[illegible]

STANDARD & POORS 500 INDEX

[illegible]

THREE MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

THREE MONTH EURODOLLAR

[illegible]

US TREASURY BONDS 8%

[illegible]

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £

[illegible]

POUND-$ (FOREIGN EXCHANGE)

[illegible]

IMM-STERLING

[illegible]

MONEY MARKETS

London rates tend to decline

INTEREST RATES fell on the London money market yesterday, after the Bank of England failed to continue its intervention against sterling at the DM3.00 level.

As the pound broke through its recent upward barrier against the West German D-Mark three-month interbank fell to 9 1/16-8 15/16 p.c. from 9 3/16-9 1/16 p.c., but there appeared to be no immediate prospect of any change in UK bank base rates.

The market expects further guidance from next week's UK Budget, but at present regards base rates as likely to stay at the 9 p.c. level, caught between the strength of the pound and fears about high credit growth and economic overheating.

UK clearing bank base lending rate 9 per cent from February 2

Credit conditions became a little tighter in London later in the day, after the prospect of a very comfortable session, according to the early forecast by the Bank of England. Dealers expect money be in good supply today, resulting in a possible credit surplus.

The Bank of England initially forecast a money market surplus of £100m yesterday, but revised this to a shortage of £150m at noon.

The authorities did not buy any bills from the market before lunch, or in the afternoon, but provided late assistance of around £70m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £897m. This was countered by Exchequer transactions adding £50m to liquidity, a fall in the note circulation of £395m; and bank balances above target of £40m.

In Frankfurt call money firmed to 3.35 p.c. from 3.30 p.c., in cautious trading ahead of an expected announcement from the Bundesbank today about a securities repurchase agreement tender.

An expected large outflow of funds from tax payments later this month led to suggestions the Bundesbank may provide a little more liquidity, but dealers are also nervous the central bank may decide to keep conditions tight, by not fully replacing the expiring facility.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.7) 3 months US dollars		6 months US Dollars	
bid 6¾	offer 6⅞	bid 6⅞	offer 7

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

Mar.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Mar.7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on Monday, March 7, 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.25	Gibraltar	Gibraltar £	1.00	Paraguay	Guarani	[illegible]
Albania	Lek	[illegible]	Greece	Drachma	[illegible]	Peru	Inti	[illegible]
Algeria	Dinar	[illegible]	Greenland	Danish Krone	[illegible]	Philippines	Peso	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 25,157

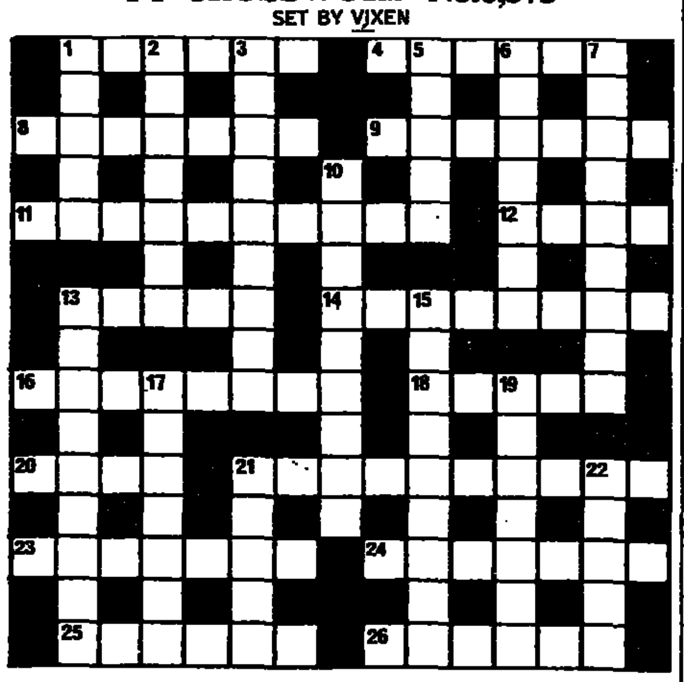
A = Ask B = Bid C = Call P = Put

BASE LENDING RATES

● Members of the Accepting Houses Committee. * 7 day deposits 4.00%. Sunwise 6.66%. Top Tier £2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. § Mortgage base rate. ‡ Demand deposit 4.00%. Mortgage 9.625% - 10%

FT CROSSWORD No.6,575

SET BY VIXEN



ACROSS

1 A drink mixed and swallowed by the cast (6)
4 The price of freedom (6)
8 Quiet, like a spell for recreation (7)
9 Explosive grandee in trouble (7)
11 Go through and park, finding a scene of chaos (4,6)
12 Point to a massive rock that's split (4)
13 Order fifty-one daggers (5)
14 Club assessment is steep (8)
16 A person keeping a servant for a long time (8)
18 The monarch, right or wrong (5)
20 Some people approaching middle age will make an excuse (4)
21 Arranging a meeting about a school blowing up! (10)
23 A man in love may well get married (7)
24 The unit in support set off (7)
25 Require a French article – a small tool (6)
26 Turning brown in latter years, so it's related (6)

DOWN

1 A bit of fish for the table (5)
2 Stare at a goddess's make-up (7)
3 The utter ruin of the mother country (9)
5 Protection on the home front (5)
6 No tears affected the American politician (7)
7 The chairman being a communist turned in the car (9)
10 Suggest a mime class (9)
13 Even a lord may be excessively charged (9)
15 Many tend to make themselves heard when doing such work (9)
17 A failing to accept a never-ending greed (7)
19 Get involved and tour the building (7)
21 Note sound following and stay (5)
22 A way to occupy delightful member of the family (5)

Solution to Puzzle No.6,574

SNAPPING TURTLE
O P R A N A D
REPROACH ADMIRE
B R N A O E G N
ERASE REGARDANT
T I A R T A
ESPRIT EPAULET
S A E K I E
HELICON TREMOR
O O E H N M
POTENTATE BOHEA
P O D T A A E T
IMPAIR STALWART
N E T R S R E
GARDEN DECANTER

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq. London EC3A 6AQ 01-588 6953/4/5

Scimitar Global Gth Ac	29.9	31.9	+0.3	—
Do Income	29.7	31.7	+0.3	0.19
Scimitar European Acc	21.3	22.7	+0.1	—
Do Income	21.3	22.7	+0.1	0.11
Scimitar UK Eq Inc Acc	36.5	38.5	+0.3	—
Do Income	34.1	35.9xd	+0.2	5.39
UK Cap Gth Acc	24.8	26.2	—	0.75
Scimitar Pac Basin Acc	30.4	32.4	+0.2	—
Scimitar Mngd Exempt	142.6	148.6xd	+0.7	—

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq. Edinburgh 031-556 1051

Intnl Income Units	130.7	139.0	—	3.34
Intnl Accum Units	200.2	213.0	—	3.34
UK General Acc	38.7	41.4	—	3.38
UK General Inc	37.2	39.8	—	3.38
American	27.6	29.5	−0.1	2.13
European	35.1	37.5	−0.6	1.26
Japan	57.2	61.2	−0.9	0.02
Technology	35.5	38.0xd	−0.2	2.29
Performance Trusts				
Far East Perf Tst	18.3	19.6	−0.1	2.00
High Inc Perf Tst Inc	24.0	25.7	—	5.36
High Inc Perf Tst Acc	24.6	26.3	—	5.36
Worldwide Tact Perf Tst	28.6	30.6	—	2.71

Scottish Life Investments(z)
19 St Andrew Sq. Edinburgh 031-225 2211

Nelson (UK)	212.1	226.9	−0.3	2.60
Columbus (US)	132.1	141.3	−2.3	1.31
Marco Polo (Pac)	214.6	229.6	−2.8	0.27
Da Vinci (Eur)	223.9	239.5	−2.7	1.64
Drake (Wwl)	52.8	56.5	−0.5	2.65

Scottish Mutual Investment Managers Ltd
109 St Vincent St. Glasgow G2 5HN 041-248 6100

UK Equity	205.2	218.3	−0.5	2.69
UK Smllr Cos Equity	210.4	223.9	+1.1	1.92
UK Special Situations	61.2	65.2	+0.6	2.90
Income Plus	52.4	55.8	+0.1	5.34
European	162.6	173.0	−1.1	1.48
Far Eastern	52.9	56.7	+0.4	2.09
Japanese	54.9	58.5	−0.8	—
North American	114.5	121.9	−1.0	1.32
International Growth	109.5	116.3	−0.9	1.36

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4358

TUUT Mar 1	212.5	223.7xd	—	3.22

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	148.1	159.3	−0.8	1.56

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3399

Convertible & General	58.7	62.9	+0.1	6.39
Accum Units	60.4	64.1	+0.1	—
Income	80.1	84.9	—	4.42
Accum Units	80.1	84.9	—	—
Smaller Co's	83.6	88.6xd	+0.8	1.83
Accum Units	84.5	89.6	+0.9	—
UK Growth	86.0	92.1xd	+0.2	2.27
Accum Units	87.1	92.3	+0.2	—
Pacific Gold Tst Acc	47.6	50.5	—	—

UK Unit Trust Managers Ltd
Worthing Road Horsham RH12 1SL 0403 40033

British Growth Fd	58.7	62.5	—	1.71
Technical Analysis Fd	51.8	55.2	+0.2	3.29

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave. London, EC2R 7PA 01-588 6064
Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	180.5	192.0	—	1.58
Friars Hse Inc Fd	152.7	160.7	—	3.76

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544

United Charities	170.5	181.8	−0.4	4.64

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line. 01-236 2468

Glenfriars	183.5	195.2	—	1.47
(Accum Units)	187.1	199.0	—	—
Far East & Gen	55.1	58.6	−0.9	0.00
(Accum Units)	55.1	58.6	−0.9	—
Master Portfolio	67.187	68.910	+0.434	3.00
(Accum Units)	69.048	70.818	+0.445	—
American & Gen	57.4	61.1	−0.5	1.96
(Accum Units)	58.2	61.9	−0.5	—
Growth	213.1	226.7	+1.3	1.85
(Accum Units)	321.5	342.0	+2.0	—
High Yield	271.2	288.5xd	+3.4	4.82
(Accum Units)	290.8	309.4	+3.5	—

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987/88 High	1987/88 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
102[illegible]	99[illegible]	Exch 10½pc '88	100[illegible]	.....	10.47	8.63
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	100[illegible]	+[illegible]	9.73	8.67
98[illegible]	93[illegible]	Transport 3pc '78-88	98[illegible]	+[illegible]	3.03	6.72
101[illegible]	98[illegible]	Treas. 9½pc '88	100[illegible]	+[illegible]	9.47	8.96
105[illegible]	101[illegible]	Treas 11½pc 1989	102[illegible]	+[illegible]	11.25	9.00
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	100[illegible]	+[illegible]	9.45	8.96
96[illegible]	89¼	Treas 3pc 1989	96[illegible]	+[illegible]	3.12	6.33
104[illegible]	99[illegible]	Treas 10½pc 1989	101[illegible]	+[illegible]	10.33	9.02
103[illegible]	98½	Exch. 10pc 1989	101[illegible]	+[illegible]	9.88	9.07
105¼	100[illegible]	Exch 11pc 1989	102[illegible]	+[illegible]	10.71	9.07
96[illegible]	89[illegible]	Treas 5pc 1986-89	96[illegible]	.....	5.19	7.45
108[illegible]	99[illegible]	Exch 10¼pc Cv '89	103[illegible]	+[illegible]	9.88	7.81
111[illegible]	104[illegible]	Treas 13pc 1990‡‡	106[illegible]	+[illegible]	12.19	8.99
106½	100[illegible]	Exch 11pc 1990‡‡	103[illegible]	+¼	10.64	9.03
110[illegible]	103[illegible]	Exch. 12½pc 1990	106[illegible]	+¼	11.77	9.09
92[illegible]	84½	Treas. 3pc 1990	92[illegible]	+[illegible]	3.25	6.84
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	98[illegible]	+[illegible]	8.35	8.84
101[illegible]	98	Treas. 8pc Cv 1990	101[illegible]	+[illegible]	7.91	7.43
105	97½	Treas. 10pcCv 1990	102[illegible]	+¼	9.70	9.07
91[illegible]	81[illegible]	Exch 2½pc 1990	89[illegible]	.....	2.78	6.64
110½	102[illegible]	Treas 11¾pc 1991	106[illegible]	+¼	11.09	9.08
95[illegible]	87¼	Funding 5¾pc '87-91‡‡	93[illegible]	+[illegible]	6.15	8.06
90[illegible]	80¼	Treas. 3pc 1991	88[illegible]	+[illegible]	3.38	6.98
110[illegible]	98½	Treas 10pc Cv '91 ‡‡	104[illegible]	+[illegible]	9.59	8.46
109[illegible]	101[illegible]	Exch. 11pc 1991	105[illegible]	+[illegible]	10.40	9.10
99	91[illegible]	Treas. 8pc 1991	96[illegible]	+[illegible]	8.27	9.01
116[illegible]	107[illegible]	Treas 12¾pc 1992‡‡	111[illegible]	+[illegible]	11.41	9.07
106[illegible]	97[illegible]	Treas 10pc 1992	103[illegible]	+[illegible]	9.71	9.06
99½	90[illegible]	Treas. 8pc 1992 ‡‡	96[illegible]	+[illegible]	8.28	9.02
108[illegible]	99½	Treas 10½pc Cv 1992‡‡	104[illegible]	+[illegible]	10.03	9.10
86[illegible]	79[illegible]	Treas. 3pc 1992	85[illegible]	+[illegible]	3.52	7.04
115[illegible]	105[illegible]	Exch. 12¼pc '92	111[illegible]	+[illegible]	11.02	9.14
121[illegible]	110[illegible]	Exch 13½pc 1992	115[illegible]	+[illegible]	11.66	9.17

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

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INT. BANK AND O'SEAS GOVT STERLING ISSUES

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COMMONWEALTH & AFRICAN LOANS

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Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

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Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

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PAPER, PRINTING, ADVERTISING

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SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

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TRUSTS, FINANCE, LAND—Contd

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OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

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Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

... prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	78	+2
Craig & Rose £1	663	
Finlay Pkg. 5p	78	
Holt (Jos) 25p	£11⅝	+⅛

IRISH

Fund 11¼% 1988	£100¼	
Nat. 9¾% 84/89	£104⅛	
Fin. 13% 97/02	£114⅝	
Arnotts	305	
CPI Hldgs	75	
Carrol Inds	163 ¾	+2
Hall (R. & H.)	108	+1
Helton Hldgs	45	
Irish Ropes	120	
Unidare	395	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Pound's strength boosts Gilt-edged but exporting stocks suffer widespread falls

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 22	Mar 3	Mar 4	Mar 14
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apl 7	Apl 8	Apl 18

*New time dealings may take place from 9.00 am two business days earlier.

THE SIGHT OF the Bank of England standing aside while the pound surged above DM 3.00 yesterday morning cast a sudden cloud over the first day of the new trading account in London's equity market. However, equities rallied from an initial setback as the big institutions refused to be alarmedand traders held fast to their view that a strong pound rules out any upward move in domestic interest rates.

Government bonds quickly put on a full point, holding these gains for the rest of the day on determined support which came from the trading houses rather than from retail investors.

The stock market was surprised by the sudden upswing in the pound against both the DM and the US dollar. There was a sell-off of dollar earners, such as Glaxo and Shell, and of other exporting groups such as ICI, which will see its sales in the German market under pressure.

The FT-SE Index was 25 points down at the day's low point, but rallied to close a net 16.3 off at 1818.2. Seaq share volume, at 404.8m shares, although still an improvement on last month's woefully low levels, was below levels seen at the end of last week when the market turned onto the bull track.

The strength of sterling is good news on the interest rate front, and that is the chief concern of the securities markets at present. With the pound above DM 3.00, any upward move in UK bank base rates seems out of the question at present. Consequently, the big investment houses took a fairly sanguine view of the pound's performance yesterday.

"We're not terribly worried", said Dr Arnab Banerji of Nomura Securities, a view echoed by analysts at several other securities houses.

At Warburg Securities, Mr Peter Warburton, economics analyst, said the pound's latest advance could, in any event, prove "a short term bubble". In itself, sterling at DM 3.04 is not a "killer" for the equity market, and, "Will this foreign exchange money still be there in three months time?" he asked.

The market's optimism for a tax reforming Budget on March 15 was supported by the weekend press and equities staged a steady opening. In very early trading, share prices edged higher, despite the expected technical drag caused by ex dividend quotations for Shell and ICI. However, when sterling took the bit between its teeth, share prices fell back right across the board.

With the effects of sterling's strength falling largely on the blue chip stocks, market indices fell quickly, and only a handful of major stocks could stand out against the trend. The news of a 1.1 per cent rise in final January retail sales was largely ignored in both bond and equity sectors.

The UK bond market was in good form as the exchange markets signalled the inflow of foreign money into London. Overseas demand for UK Gilts early last month provided the base for the recent upswing in the equity market.

Surprisingly, the authorities made no move to introduce a new tap stock yesterday despite the strength of the fixed interest market. Long-dated bonds closed with gains of just over a full point after a good, but not exceptional day's trading.

"The authorities had three choices", commented the head trader of a leading US bank. "Either they could let the pound rise, which they did, or intervene against the pound, or, finally, put interest rates down. Their behaviour looked like a desperate attempt not to put UK rates down, and the market saw that".

British Aerospace soared ahead as the board continued its round of presentations to the big institutions, stressing the prospective benefits for its balance sheet and earnings from the planned acquisition of Rover, the UK car manufacturer. Among the US firms, Chase Manhattan and Shearson Lehman Bros emerged as strong advocates of the deal - provided it can be struck on terms favourable to Aerospace.

Chase, believing the deal could have positive major impact on both earnings and assets, has issued a major recommendation to clients and was itself a heavy buyer of Aerospace shares again - 8.2m traded yesterday. Shearson sees "hidden value" in Rover, which could balance a threatened decline in the military side of Aerospace. At 377p, the shares jumped 17, while Rover improved 5 to 82p.

But the advice from Nomura Securities was, "Sell Aerospace. Rover is the wrong acquisition".

Plessey remained in the limelight as the group unveiled a £40m offer for Leigh Instruments, a Canadian manufacturer of defence communications equipment and currently in receipt of a £32m offer from another Canadian group, aerospace contractor IMD.

Plessey shares hardened to 172p in nervous trading as the market got wind of an announcement but subsequently dipped back to close a net 2 down at 169p xd on turnover of 4.8m reflecting slight disappointment with the news.

Standard Chartered shares suffered a major setback in the wake of the resignation of Mr Michael McWilliam, the Chief Executive and the appointment of Mr. Rodney Galpin as executive chairman, announced late on Friday.

Widespread comment on the possibility of a dividend cut and rights issue in the Sunday press caused a sharp mark down at the outset when the share price was lowered to 465p, accompanied by some aggressive selling, but the stock subsequently rallied to end the session a net 40 down at 470p, after turnover of 2.3m shares. A leading dealer in Standard remarked "the downside from here is limited simply because of the break – up value of the bank."

Rank Organisation, the entertainments group, were one of the day's best performers, rising 11 to 674p on news of the agreed acquisition of Ahnert Entertainments of Pennyslvania, a leisure concern, for £102m.

Mr. Bruce Jones, analyst at Kitcat and Aitken, the securities house, rates the shares a strong buy in the wake of the purchase; " the acquisition appears geographically sound in a business the company knows well". Accordingly, Kitcat have raised their profit forecast for Rank from £248m to £254m for the current year.

Beecham, the UK pharmaceutical and consumer products group, closed a shade easier at 477p in line with the overall trend, but the shares are expected to push forward ahead ofan article to be published on Friday in The Lancet, the UK premier medical journal concerning tests on the group's heart drug Eminase.

The Lancet plans to follow its article with a conference for investment analysts. Beecham hopes that Eminase will give it the means to tap into the highly profitable market for treating chronic diseases, which require long-term therapy.

Enterprise Oil were easily the best performer in an oil and gas sector that remained under pressure from the recent poor performance of crude oil prices. Official news that the drilling effort on North Sea Block 22-11 has produced a "significant oil field" – designated Nelson – containing reserves of between 150 to 175m barrels of oil triggered a welter of buying interest for Enterprise shares which immediately raced up to 326p before closing 10 higher at 325p on a turnover of 4.4m shares.

The immediate reaction of analysts to the news was that the find. "could add around 70p a share to Enterprise's assets". Although not matching Enterprise in terms of price appreciation British Petroleum easily outperformed the former in terms of shares traded. Almost 5m BP "old" were traded and 25m of the "new", keeping up the heavy turnover levels of the past couple of weeks. The buying continued to emanate from the same sources of recent times, namely two leading US houses and one of the top UK securities houses, and was thought not to have represented further purchases by the Kuwait Investment Office whose stake in BP was last notified as been just short of 20 per cent.

Included in the BP deals was a single block of 5m "new" at 63p. The latter closed 2 higher at 65p while the "old" spurted ahead late to close 4 up at 254p.

The clearing banks "outperformed the rest of the market" according to one dealer. After allowing for the dividend deductions Barclays were 3 higher at 513p, Lloyds 1½ firmer at 285p and NatWest only 2 off at 580p. Midland were 6 down at 403p. Turnover in the sector was much reduced, traders said, with the notable exception of Lloyds where in excess of 6.5m shares changed hands as vague takeover speculation continued to do the rounds.

Merchant banks continued to reflect the general pick up in stock market activity. SG Warburg, a strong performer last week, added 5 more at 344p, Hambros, boosted by a "buy" recommendation from SBCI Savory Milln, were a like amount up at 288p and Kleinwort Grieveson 4 better at 379p; County NatWest rate Kleinworts a "buy" ahead of their April 6 preliminary results. Insurances "took a breather after last week's strong gains" one dealer said.

Institutional investors showed little fresh enthusiasm to increase their weightings of Brewery issues and the sector experienced the smallest trade for some considerable time. The majors subsequently drifted easier with the general tone and Allied-Lyons closed 4 down at 366p while Whitbread "A" ended 3 off at 298p; volume was less than 1m shares in both stocks. Guinness similarly slipped 2 to 310p but Scottish & Newcastle sprinted forward late when sudden demand caught the market and settled 10 up at 260p. A weekend press recommendation lifted Macallan Glenlivet 25 to 610p in a restricted market.

Building issues were easier for choice. Redland, in which an incorrect trade of 5m shares caused early consternation, came back 7 to 438p; the bargain apparently related to 5,000 shares. Elsewhere, Costain slipped 2 to 317p, while Barratt Developments, interim results due on March 23, gave up 4 at 195p. Steetley lost 7 to 325p and BPB Industries cheapened 5 to 301p. Blue Circle, still underpinned by bid speculation, edged up 3 to 463p and Meyer International added a similar amount at 380p. Heywood Williams firmed 2 to 293p in reply to excellent annual results and acquisition news, while housebuilder Persimmon gained 7 to 159p in response to the doubled annual profits. Raine Industries were in demand following the recent business swap with Evered and touched 103p prior to closing 5 dearer at 102p. Federated Housing moved up 4 to 251p ahead of tomorrow's preliminary figures.

ICI were unsettled by currency influences and closed ¾ lower at £10⅝ xd.

Retailing stocks held up well and included a firm feature in Dixons which moved up 7 to 192p following a substantial traded options business. Next dipped 4 to 289p ahead of Friday preliminary figures.

Turnover in the electronics majors, Plessey apart, was much reduced. GEC, amid talk of an imminent joint venture with FKL eased 3 to 158p on turnover of 2.4m shares, while Racal lost 5 to 280p on turnover of 2.3m.

Preliminary results from BSR, which came out at £16.4m against estimates which had ranged up to as much as £17m, were deemed slightly disappointing and BSR shares gave ground to close 2 off at 85p.

The engineering sector showed TI a strong market and finally 11 higher at 245p ahead of preliminary results, scheduled for Thursday.

International stocks held up relatively well despite the adverse currency influences. Glaxo, interim results due on March 14, were only ¼ off at £10¾ and Reckitt and Colman settled marginally lower at 822p. Hanson, in which some 4m shares were traded, including a block of 1.6m shares at 138p, finished 2½ cheaper at 137½p. Unilever slipped 13 to 499p, while BOC, a rising market recently following the disposal of its carbon graphite business, shed 11 to 394p.

Parker Knoll A rose 55 to 805p in reply to the good interim results and Eurotunnel advanced 12 to 334p following favourable Press comment.

Currency influences rather more than the approach of the annual results, due on March 15, took a toll on Jaguar, down 9 at 329p, but news of last month's surge in commercial vehicles sales helped Plaxtons (GB) improve to 158p. Motor Distributors also trended higher with Perry gaining 6 to 213p awaiting today's preliminary statement; profits of around £6m are expected against the previous year's £4.7m. H & J Quick bounded 15 to 265p, after 285p, Lookers rose 9 to 268p and Trimoco 3 to 38p.

Confirmation that WCRS was negotiating to buy 50 per cent of Societe GGMD, the largest independent media buying group in Europe, aroused demand for the former's shares which rose 12 to 258p. Business elsewhere in the Agency sector was slow with Lopex, at 176p, making little response to its first step into the Far Eastern market via a joint venture in Singapore.

Properties lost some of their recent sparkle. Land Securities drifting back in a much reduced business to close 4 cheaper at 504p. MEPC were 7 off at 478p. Elsewhere, Mountleigh responded to news of an £88m property portfolio disposal to Control Securities with a gain of 7 at 177p; the latter added a couple of pence to 49p. The deal will give Mountleigh a 17.5 per cent stake in Control. Mucklow attracted buyers ahead of Thursday's interim figures and rose 6 to 151p, while Dares Estates improved 1½ to 35p awaiting today's preliminary figures.

Tootal highlighted the Textile sector, advancing strongly as stories of takeover possibilities went round the market again. The shares closed 7 up at 125p. Palma were also bought following good annual profits and a confident statement predicting further growth this year, and rose 7 to 85p.

Traded option contracts came out some 10,000 lower yesterday at 27,379. Calls fell steeply to 18,350 while puts totalled 9,029. The FTSE contract attracted 1,454 calls and 1,182 puts. Hanson registered 2,941 calls and 46 puts.

Traditional Options

- First dealings Feb 29
- Last dealings Mar 11
- Last declarations Jun 2
- For Settlement Jun 13

For rate indications see end of London Share Service

Investors took out call options in Cambium Venture Capital, Holmes Protection, EBC, Senior Eng., Norfolk Capital, Eagle Trust, Eurotunnel units, Irish Distillers, RHM, Guthrie, Control Securities, Sound Diffusion, Pineapple, Helene of London, Wheway, Elswick, Greenwich Resources and Jove IT Capital. Double options were transacted in Irish Distillers, RHM, Holmes Protection and Explaura Holdings.

FINANCIAL TIMES STOCK INDICES

	Mar. 7	Mar. 4	Mar. 3	Mar. 2	Mar. 1	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	90.59	90.24	90.41	90.39	90.47	89.25	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.80	96.72	96.52	96.47	96.55	95.13	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1462.8	1478.7	1463.6	1467.9	1439.1	1576.3	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	242.5	239.7	241.8	241.4	238.6	329.6	497.5 (4/8/87)	234.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.38	4.32	4.36	4.36	4.44	3.71				
Earnings Yld. %(full)	11.16	11.02	11.12	11.10	10.58	8.64				
P/E Ratio (net)(*)	10.95	11.08	10.99	11.01	11.47	14.19				
SEAQ Bargains (5pm)	31,964	37,045	33,257	28,764	26,092	53,342				
Equity Turnover (£m)	-	1413.06	1484.59	1327.07	1008.35	1359.62				
Equity Bargains	-	39,585	36,537	31,118	28,973	64,128				
Shares Traded (ml)	-	618.4	563.5	477.8	398.9	615.4				

S.E. ACTIVITY

Indices	Mar. 4	Mar. 3
Gilt Edged Bargains	122.1	116.0
Equity Bargains	256.5	236.7
Equity Value	2856.2	3000.7
5-Day average		
Gilt Edged Bargains	127.5	125.6
Equity Bargains	210.1	193.9
Equity Value	2445.5	2342.2

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1477.1	1471.4	1468.5	1467.9	1464.9	1463.5	1458.2	1460.9

Day's High 1479.2 Day's low 1456.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.84. † Correction

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (16). BRITISH FUNDS (2) Treas.8 ¾pc Ln "C" 1987, Treas.2pc I.L. '96, BREWERS (2) Highland Dists., Macallan-Glenlivet, BUILDINGS (2) Breedon, Douglas (Robt.M), HOTELS (1) Allied Restaurants, INDUSTRIALS (2) Eurotunnel Units, Mayne Nickless, THIRD MARKET (1) M.L.Laboratories.

NEW LOWS (21). ENGINEERING (1) Habit Precision, INDUSTRIALS (1) AAH, LEISURE (1) Prism Leisure Corp., TRUSTS (2) Independent Inv. Wrrts, Parrish, OILS (3) Command Pet. N.L., Pan Pacific Pet., Pennine Res., OVERSEAS TRADERS (1) Utd Plants Africa, MINES (12).

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday March 7 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Mar 4 Index No.	Thu Mar 3 Index No.	Wed Mar 2 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (209)	775.49	-0.4	9.51	3.79	13.19	2.09	778.24	765.18	764.65	855.68
2 Building Materials (30)	1041.35	-0.4	9.48	3.62	13.13	0.85	1045.50	1025.34	1024.79	1036.62
3 Contracting, Construction (34)	1354.23	-0.4	8.96	3.27	14.87	3.62	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (11)	2118.84	-0.4	8.97	4.72	14.44	1.20	2119.41	2098.58	2083.86	2635.82
5 Electronics (32)	1566.41	-1.0	10.54	3.49	12.37	8.21	1581.84	1551.53	1564.29	1962.46
6 Mechanical Engineering (58)	402.52	+0.4	9.46	4.16	13.32	0.96	401.07	395.86	393.89	472.63
8 Metals and Metal Forming (7)	464.24	-0.6	9.27	3.61	13.01	0.00	466.98	452.57	451.52	449.22
9 Motors (13)	291.99	-1.0	10.96	3.95	10.69	0.71	294.87	293.91	292.48	325.12
10 Other Industrial Materials (24)	1291.33	-0.2	8.38	4.84	14.32	4.58	1293.48	1278.94	1264.86	1468.22
21 CONSUMER GROUP (185)	1076.46	-0.3	8.31	3.45	15.32	2.68	1079.43	1064.53	1062.19	1173.28
22 Brewers and Distillers (21)	1057.54	-0.4	10.48	3.72	12.05	4.24	1063.88	1047.53	1051.85	1098.15
25 Food Manufacturing (23)	854.50	-0.8	9.14	3.90	14.07	2.30	861.75	852.61	858.35	874.62
26 Food Retailing (16)	2145.35	-0.6	7.50	2.98	17.94	7.15	2153.84	2114.44	2074.57	2113.88
27 Health and Household Products (10)	1894.73	-0.5	6.28	2.43	18.97	0.45	1904.89	1885.60	1884.53	2299.68
29 Leisure (31)	1253.90	-0.4	7.50	3.77	16.59	9.18	1261.84	1245.46	1243.37	1185.52
31 Packaging & Paper (16)	459.80	-0.9	8.72	3.41	16.28	4.46	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (16)	3628.49	-0.1	6.29	4.09	19.96	4.21	3632.86	3571.86	3522.36	3498.87
34 Stores (34)	844.77	—	9.03	3.64	14.85	1.41	844.29	835.84	832.55	1033.25
35 Textiles (18)	588.51	—	11.14	4.00	10.38	3.19	588.46	578.87	575.35	656.19
40 OTHER GROUPS (93)	899.11	-1.2	10.61	4.17	11.75	3.64	910.34	903.37	900.58	957.87
41 Agencies (19)	1171.12	+0.2	6.92	2.23	18.65	4.36	1168.85	1164.24	1163.28	1358.16
42 Chemicals (20)	1057.23	-2.1	11.33	4.46	10.81	3.14	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (14)	1194.95	-0.9	9.86	4.43	11.81	3.16	1206.32	1196.59	1203.74	1289.46
45 Shipping and Transport (12)	1988.13	-0.6	8.94	4.32	14.62	0.00	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	978.38	-1.1	11.10	4.36	12.09	6.00	979.06	971.45	972.59	961.43
48 Miscellaneous (26)	1204.90	-0.9	12.67	3.95	9.39	8.54	1216.36	1203.29	1182.60	1281.82
49 INDUSTRIAL GROUP (487)	961.17	-0.6	9.25	3.73	13.62	2.85	966.74	955.12	952.32	1044.44
51 Oil & Gas (13)	1725.87	-0.9	10.84	6.03	12.41	56.27	1744.77	1734.52	1738.43	1698.88
59 500 SHARE INDEX (500)	1026.18	-0.6	9.36	4.84	13.44	5.63	1032.59	1021.37	1018.47	1099.32
61 FINANCIAL GROUP (122)	677.22	-1.1	—	4.80	—	6.74	684.53	674.91	673.56	671.76
62 Banks (8)	673.83	-2.2	23.23	6.00	5.49	15.42	694.27	685.45	684.85	722.45
65 Insurance (Life) (8)	1016.43	+0.5	—	4.53	—	0.00	1011.12	996.23	989.97	962.81
66 Insurance (Composite) (7)	535.25	-1.6	—	5.47	—	5.78	543.99	532.27	533.95	526.56
67 Insurance (Brokers) (7)	966.56	-2.5	13.91	7.44	9.16	16.28	988.33	968.41	974.86	1164.22
68 Merchant Banks (11)	355.44	+0.8	—	4.01	—	0.82	352.76	342.91	341.40	369.35
69 Property (51)	1064.99	-0.5	5.15	2.98	24.80	1.23	1070.85	1063.14	1062.95	873.75
70 Other Financial (30)	375.73	-0.8	9.58	4.29	13.12	1.98	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (82)	880.64	-0.7	—	2.95	—	3.71	886.62	882.48	879.99	966.53
81 Mining Finance (2)	448.17	—	18.14	3.84	11.28	2.01	447.97	437.65	426.99	375.47
91 Overseas Traders (8)	1038.62	-0.8	9.87	5.38	12.01	14.64	1046.74	1041.37	1037.93	882.74
99 ALL-SHARE INDEX (724)	932.91	-0.7	—	4.13	—	5.78	939.34	928.76	925.98	983.81

	Index No.	Day's Change	Day's High	Day's Low	Mar 4	Mar 3	Mar 2	Mar 1	Feb 29	Year ago
FT-SE 100 SHARE INDEX ♦	1818.2	-16.3	1833.6	1809.4	1834.5	1813.3	1808.7	1781.9	1768.8	1973.7

FIXED INTEREST

PRICE INDICES	Mon Mar 7	Day's change %	Fri Mar 4	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	123.35	+0.22	123.24	0.17	2.21
2 5-15 years	142.25	+0.62	141.43	0.07	2.21
3 Over 15 years	151.08	+0.67	150.67	0.61	3.06
4 Irredeemables	168.63	+0.52	167.78	—	1.54
5 All stocks	138.47	+0.51	137.94	0.18	2.32
Index-Linked					
6 5 years	124.85	+0.19	124.62	—	0.51
7 Over 5 years	117.30	+0.17	117.10	—	0.67
8 All stocks	117.76	+0.17	117.55	—	0.66
9 Debentures & Loans	119.77	+0.08	119.74	0.07	1.43
10 Preference	87.74	+0.28	87.49	0.19	0.73

AVERAGE GROSS REDEMPTION YIELDS		Mon Mar 7	Fri Mar 4	Year ago (approx.)
British Government				
1 Low	5 years	8.68	8.72	8.39
2 Coupons	15 years	9.00	9.10	9.22
3	25 years	8.95	9.01	9.24
4 Medium	5 years	9.13	9.25	9.44
5 Coupons	15 years	9.22	9.31	9.43
6	25 years	9.14	9.20	9.43
7 High	5 years	9.23	9.33	9.53
8 Coupons	15 years	9.36	9.45	9.56
9	25 years	9.24	9.34	9.39
10 Irredeemables		8.97	9.06	9.09
Index-Linked				
11 Inflation rate 5%	5yrs.	2.37	2.43	2.60
12 Inflation rate 5%	Over 5 yrs.	3.42	3.44	3.44
13 Inflation rate 10%	5yrs.	1.42	1.48	0.98
14 Inflation rate 10%	Over 5 yrs.	3.48	3.48	3.36
15 Debs &	5 years	10.76	10.73	10.11
16 Loans	15 years	10.64	10.62	10.23
17	25 years	10.64	10.62	10.25
18 Preference		10.59	10.60	11.06

♦Opening index 1830.3; 10 am 1826.2; 11 am 1821.7; Noon 1821.5; 1 pm 1818.0; 2 pm 1816.7; 3 pm 1810.7; 3.30 pm 1813.1; 4 pm 1814.1

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

CONSTITUENT CHANGES: Edinburgh American Assets(71) has been deleted Thomson T-Line(48) has been moved to group 43.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Airways	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. & Comm.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.K.N.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Spencer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Tel.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rolls-Royce	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sainsbury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar House	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
T.S.B.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolworth	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
LASMO	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pilkington	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Plessey	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Prudential	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hawker Sidd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trusthouse Forte	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thorn EMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wellcome	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 12% 1995	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 03/07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Telecom	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guinness	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
FT-SE Index	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

March 7 Total Contracts 27,379 Calls 18,350 Puts 9,029. FT-SE Index Calls 1,454 Puts 1,182. *Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO

Closing prices March 7

MONTREAL

Closing prices, March 7

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 43

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex-all. * Price in Kroner

Indices

NEW YORK DOW JONES

	Mar. 4	Mar. 3	Mar. 2	Mar. 1	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
φIndustrials	2057.86	2063.49	2071.29	2070.46	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	91.22	91.25	90.94	90.82	95.51 (9/2/87)	81.26 (19/10/87)	–	–
Transport	849.79	849.94	838.37	832.59	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	182.37	182.73	182.49	181.72	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

φDay's High 2076.76 (2085.38) Low 2033.49 (2048.41)

STANDARD AND POOR'S	Mar. 4	Mar. 3	Mar. 2	Mar. 1	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite ‡	267.30	267.88	267.98	267.22	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	308.98	309.34	309.68	308.81	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	23.86	24.04	23.95	23.83	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	150.43	150.70	150.68	150.18	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	293.74	292.51	290.92	288.91	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	373.36	372.01	370.38	367.32	455.28 (26/8/87)	291.90 (28/10/87)	455.28 (26/8/87)	54.87 (31/10/72)

	Feb. 26	Feb. 19	Feb. 5	year ago (approx.)
Dow Industrial Div. Yield	3.41	3.42	3.63	3.01
	Mar 2	Feb 24	Feb 17	year ago (approx.)
S & P Industrial div yield	2.96	2.99	3.05	2.58
S & P P/E ratio	15.13	14.92	16.29	20.82

TRADING ACTIVITY † Volume

Millions	Mar. 4	Mar 3	Mar. 2
New York	201.410	203.310	199.630
Amex	15.100	18.545	11.716
OTC	141.220	144.206	146.080

NEW YORK	Mar. 4	Mar. 3	Mar. 2
Issues Traded	1,962	1,934	1,968
Rises	670	779	908
Falls	812	701	560
Unchanged	480	454	500
New Highs	22	22	25
New Lows	4	7	5

CANADA

TORONTO	Mar. 4	Mar. 3	Mar. 2	Mar. 1	1987-88 High	1987-88 Low
Metals & Minerals	2655.4	2632.8	2613.2	2600.5	3507.5 (5/10/87)	1988.2 (2/1/87)
Composite	3251.5	3231.2	3228.1	3212.9	4112.9 (13/8/87)	2837.8 (28/10/87)
MONTREAL Portfolio	1619.54	1611.79	1617.99	1612.10	2224.77 (16/7/87)	1435.94 (26/10/87)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Vardy Corp	8,092,900	3¼	+ ⅛
Capna Corp	7,856,200	49	+ ⅛
Texas Utilities	4,818,800	28⅝	—
Allegis	2,228,400	78½	+ 1⅞
Fed Dept Stores	2,035,600	67¼	+ ⅛
Lilco	1,887,700	10	+ 1⅛
Amer Cyanamid	1,884,700	52¼	– 1
General Electric	1,564,800	44⅛	– ⅝
Koppers	1,505,700	53¼	+ 1⅛
AT&T	1,444,500	29	+ ⅛

Base values of all indices are 100 except NYSE All Common - 50, Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed. (u) Unavailable.

	Mar. 7	Mar. 4	Mar. 3	Mar. 2	1987-88 High	1987-88 Low
AUSTRALIA All Ordinaries (1/1/80)	1324.4	1298.5	1293.4	1285.9	2305.9 (21/9/87)	1151.0 (11/11/87)
All Mining (1/1/80)	634.9	610.7	606.5	595.8	1462.4 (14/10/87)	532.4 (10/2/88)
AUSTRIA Credit Aktien (30/12/84)	171.69	172.28	170.41	169.08	232.19 (22/9/87)	163.98 (11/2/88)
BELGIUM Brussels SE (1/1/84)	4973.6	4893.9	4874.3	4854.5	5412.2 (13/8/87)	3503.8 (18/12/87)
DENMARK Copenhagen SE (3/1/83)	194.01	194.28	193.97	192.44	219.76 (27/8/87)	179.60 (20/11/87)
FINLAND Unitas General (1975)	588.5	587.6	584.8	584.0	679.1 (15/10/87)	425.2 (5/1/87)
FRANCE CAC General (31/12/82)	298.0	298.0	299.6	303.4	460.4 (26/3/87)	251.3 (29/1/88)
Ind. Tendance (31/12/87)	106.8	107.8	107.7	108.0	112.3 (25/2/88)	89.7 (29/1/88)
GERMANY FAZ Aktien (31/12/58)	455.64	455.02	457.66	456.83	676.84 (6/1/87)	396.40 (29/1/88)
Commerzbank (1/12/53)	1393.7	1388.7	1397.6	1395.7	2061.1 (17/8/87)	1207.9 (29/1/88)
HONG KONG Hang Seng Bank (31/7/64)	2470.48	2474.38	2468.48	2462.13	3949.73 (1/10/87)	1894.94 (7/12/87)
ITALY Banca Com. Ital. (1972)	489.27	489.39	499.83	499.85	767.34 (30/4/87)	423.91 (9/2/88)
JAPAN ** Nikkei (16/5/49)	25616.58	25615.62	25596.31	25682.82	26646.43 (14/10/87)	18544.00 (13/1/87)
Tokyo SE New (4/1/68)	2107.98	2109.48	2106.20	2107.35	2258.56 (11/6/87)	1557.46 (13/1/87)
NETHERLANDS ANP-CBS General (1970)	238.1	238.0	241.0	238.8	334.1 (14/8/87)	192.2 (10/11/87)
ANP-CBS Industrial (1970)	193.1	192.5	196.8	192.3	280.8 (11/8/87)	147.5 (10/11/87)
NORWAY Oslo SE (4/1/83)	370.34	372.37	372.04	366.01	592.84 (21/9/87)	307.48 (10/11/87)
SINGAPORE Straits Times Ind. (30/12/66)	915.7	920.6	912.3	892.2	1505.4 (26/8/87)	700.4 (7/12/87)
SOUTH AFRICA JSE Gold (28/9/78)	(u)	1231.0	1252.0	1265.0	2499.0 (3/8/87)	1212.0 (29/2/88)
JSE Industrial (28/9/78)	(u)	1440.0	1438.0	1438.0	2266.6 (16/10/87)	1387.0 (13/2/88)
SPAIN Madrid SE (30/12/85)	266.73	263.37	263.48	261.33	325.44 (6/10/87)	201.08 (4/12/87)
SWEDEN Jacobson & P. (31/12/56)	2625.6	2614.7	2606.8	2587.2	3267.1 (8/10/87)	2068.6 (10/11/87)
SWITZERLAND Swiss Bank Ind. (31/12/58)	538.1	538.2	533.8	530.0	729.7 (5/10/87)	450.9 (10/11/87)
WORLD M.S. Capital Intl. (1/1/70)	(u)	444.1	443.9	444.3	495.9 (27/8/87)	361.3 (2/1/87)

** Saturday February 27: Japan Nikkei 25284.87, TSE 2077.84

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Tr. 13½% 2004-08	£135²³⁄₃₂	+ ¹⁵⁄₃₂
Brit. Aerospace	377	+ 17
Cropper (James)	210	+ 22
Dixons	192	+ 7
Enterprise Oil	325	+ 10
Macallan – Glenlivet	610	+ 25
Mountleigh	177	+ 7
Palma	85	+ 7
Parker Knoll A	805	+ 55
Perry Grp.	213	+ 8
Persimmon	159	+ 7
Quick (H. & J.)	265	+ 15
Rank Org.	674	+ 11
Tootal	125	+ 7
WCRS	258	+ 12
Wolseley	258	+ 7

FALLS

GKN	325	– 6
Glaxo	£10¾	– ⅛
ICI	£10¹¹⁄₁₆	– ¼
Jaguar	329	– 9
Parrish	250	– 15
Standard Chartered	470	– 40

TOKYO - Most Active Stocks
Monday, March 7, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Kokan	144.62m	380	+4
Nippon Steel	47.11m	441	-2
Mitsubishi Heavy Industries	37.18m	657	+6
Sumitomo Metal	19.13m	339	-3
Kobe Steel	18.23m	318	+1
Ishikawajima-Harima Heavy Industries	17.47m	780	-5
Kawasaki Steel	17.02m	381	-4
Mitsui Toatsu	16.36m	779	+14
Kawasaki Heavy Industries	15.52m	342	+4
Toyota Motor	15.48m	2,420	+30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.6	20	699	22½	21⅝	22½	+⅜
37⅞	21	AFG s	.16	.4	16	11302	u38¼	37¼	37½	
27	10½	AGS s			15	896	18½	17⅞	18	-⅛
10½	5	AMCA				5	5⅛	5⅛	5⅛	+⅛
9⅞	3¼	AM Intl				1162	4¼	4⅛	4¼	
65½	25¾	AMR			13	4153	43⅞	43⅛	43¾	-⅛
25	19	ANR pf2.12		9.2		2	23	23	23	+⅝
12¼	6⅜	ARX			8	164	8⅛	8	8⅛	
73½	40⅛	ASA	3	6.3		627	48½	47¾	48	+¼
22⅝	9½	AVX			15	511	18	17⅝	17⅞	+⅜
67	40	AbtLab	1	1.9	19	1432	51⅝	51⅛	51½	-⅛
28	15⅝	AbitibI g				9	19¼	19	19¼	+⅛
16¾	8½	AcmeC .40		3.6		93	11⅛	11	11⅛	+⅛
10½	6⅞	AcmeE.32b		3.8	23	23	8½	8½	8½	
20	14⅛	AdaEx 3.05e		19.		122	16⅝	16¼	16⅝	-⅛
19½	6⅞	AdamM.24		1.9	10	115	12¾	12¼	12½	+⅛
24⅞	7½	AMD				5629	12¾	12	12⅝	+⅛
50¾	29¼	AMD pf	3	8.2		5	36¾	36½	36½	
11⅞	4⅝	Adobe			12	145	7¼	6⅞	7⅛	+⅛
20½	16¼	Adob pf1.84		10.		36	17⅞	17¾	17⅞	+⅛
21¾	17½	Adob pf2.40		12.		4	20½	20½	20½	+⅛
13	6⅛	Advest .12a		1.5	8	149	7¾	7½	7¾	+⅛
57⅞	43½	AetnLf 2.76		5.8	6	1034	47¾	47¼	47¾	+⅛
83½	41	AflPub .40		.5	35	73	81⅞	81½	81⅞	+⅛
26⅝	13	Ahmans.88		5.8	8	3089	15⅞	15⅛	15¼	-⅝
5⅝	1¾	Aileen				24	2⅛	2	2	-⅛
53⅞	29	AirPrd	1	2.1	15	1416	48¼	47½	48	+½
38	11⅛	AirbFrt .60		3.3	20	688	18	17⅝	18	+½
16½	6¾	Airgas			16	53	12½	12½	12½	+¼
18½	13½	AirleasB.16e		12.	10	13	18¾	18½	18½	
15-32	5-16	AlMoan			38	24	⅜	⅜	⅜	
10⅝	7⅜	AlaP dpf.87		9.6		59	9⅛	9⅛	9⅛	-⅛
104¾	81½	AlaP pf 9		9.8		z40	91½	91½	91½	-⅛
97	77	AlaP pf8.28		9.8		z880	85	84⅝	84½	-½
26⅝	12¼	AlskAir .16		.9	24	1177	17⅝	17	17¼	+⅛
31⅝	14¾	Alberto .30		.9	22	521	u34	32	34	+2

[illegible]

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
21½	7¼	Wickesn			4	842	10⅛	9⅞	10	−⅛
10⅞	2½	Wick wt				31	4¼	4⅛	4⅛	
32¼	17⅞	Wick pfA2.50		12.		24	20⅞	20¾	20⅞	+⅛
9⅝	3¾	Wilfred .12		2.6	77	16	4⅝	4⅝	4⅝	+⅛
26⅝	10	WillcG s .15		.8	16	394	20½	19⅞	20	−½
37⅞	19¾	WilliamI.40		5.3	10	1081	27⅜	26½	26⅝	−½
8½	4⅝	WilshrO				91	4¾	4⅝	4⅝	
17	3¼	Winchel				356	3⅞	3⅝	3⅝	−¼
7⅛	1½	Winjak .16e		5.3		103	3	2⅝	3	+⅜
52	37½	WinDix 1.86		4.5	15	67	42½	41¾	41¾	−½
15⅝	7	Winnbg .40		4.4	15	457	9⅛	8⅞	9⅛	+⅛
4	1¼	Winner				45	2⅞	2¾	2⅞	
26¾	21	WisEn s1.44		5.8	10	379	25	24¾	24¾	
52	42½	WiscPL3.24		6.9	11	68	47½	47	47	−⅜
25¾	18⅞	WisPS s1.54		7.1	10	187	21⅞	21¾	21¾	
47⅞	26⅝	Witco 1.28		3.5	14	102	37	36¾	37	
16½	9	WolvTc .20		1.5	11	x257	13⅞	12⅝	13⅝	+1½
14	7½	WolvrW			69	123	11⅞	11¾	11¾	
59⅝	29½	Wlwth s1.32		2.9	12	3230	45½	45⅛	45⅛	−¼
9⅞	5	WrldCp				25	7¼	7¼	7¼	
19½	10⅝	WrldVl				208	13⅞	13⅝	13¾	+⅛
81¾	39	Wrigly 1.04a		1.4	23	63	76¼	75¼	76	−½
3	⅜	Wurltch				52	1	⅞	⅞	+1-1
17½	7	WyleL s .28		2.6	21	104	11	10¾	10⅞	
30⅝	14½	Wynns .60		2.8	46	130	21¾	21¼	21½	+⅜
		X Y Z								
65	50	Xerox	3	5.1	11	1735	58¾	58	58½	−½
56⅛	52⅝	Xerox pf5.45		10.		2444	52⅝	52½	52½	+⅛
32⅞	19⅛	XTRA .64		1.9	17	148	u33	32¼	33	+¾
28½	19½	XTRA pf1.94		6.9		31	28¼	28	28¼	−⅛
33⅞	17½	Yorkin			10	185	28	27½	27½	−⅛
7¼	2¼	Zapata				213	3⅛	3	3⅛	+⅛
37	19½	Zayre .40		1.8	10	5078	22	21¼	21⅝	−¾
16⅛	8¾	Zemex .40		3.9	13	14	10⅝	10⅛	10⅝	+⅛
35⅝	10	ZenithE				2436	19⅝	18½	19¼	+⅝
13½	2½	ZenLab				399	2⅞	2¾	2⅞	
24	13½	ZenNtl .80		4.2	9	1121	19	17¾	19	+1½
20⅝	11⅝	Zero .36		2.4	15	289	15⅛	14⅝	15⅛	+½
30¾	15	Zurnln s .88		3.1	15	x85	22⅛	21⅝	21⅞	−⅛
10⅝	7⅝	Zweig 1.08e		11.		803	10	9¾	10	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market closing prices

Continued on Page 41

AMERICA

Modest downward trend continues

Wall Street

US equities yesterday failed to emulate substantial gains of the past two Monday sessions and closed very little changed from last Friday, *writes Janet Bush in New York.*

The Dow Jones Industrial Average finished 1.49 points lower at 2056.37. About 153m shares changed hands. A week ago, the Dow had managed a healthy gain of 48.41 points and a rise of 25.70 points on the previous Monday.

Those gains had prompted some enthusiasm for further gains in the stock market, particularly in view of the new caution in the bond market.

However, in each of the past two weeks, stocks followed those Monday gains with a string of desultory performances which tended to erode optimism.

Last Friday, the market closed marginally lower in spite of the jump in employment which pushed the bond market nearly two points lower. This pattern of modest movements and an inability to respond to good news seemed to continue yesterday.

The government bond market was also subdued as prices first stabilised after last Friday's collapse on news of a startling rise in employment last month and then edged lower again.

By late trading, the Treasury's benchmark 8.875 per cent long bond was quoted ⅛ point lower, its low for the day, to yield 8.51 per cent.

The employment figures seem to have put to rest hopes which have buoyed the bond market so far this year that the US Federal Reserve would ease monetary policy to stave off sharply lower economic growth.

Although there were some problems in interpreting Friday's figures, which many think were boosted by seasonal adjustment factors, the numbers were still strong enough to weigh against the recessionary view which had prompted the strong rally in bonds earlier this year.

Mr Robert Chandross, bond market economist for Lloyds Bank in New York, said Friday's figures had led to a marked shift in mood. "There was an identifiable group in the market which believed the Fed would ease in response to a weak economy. That group has now had to adjust its expectations."

He said Friday's figures ruled out lower interest rates and the bond market would likely trade in a narrow range, perhaps until the next set of US trade figures.

The only economic news released yesterday was the latest report by National Purchasing Managers, used by some analysts as a key indicator of consumer demand. The report showed a 2.5 per cent decline in the managers' composite index to 54.9 per cent in February compared with January.

Most analysts saw the drop as fairly modest and said the figures provided evidence that, while consumer demand was slowing, the trend was not dramatic. The report seemed to have little effect on the bond market.

The other major factor in financial markets yesterday was a soaring pound which put pressure on the dollar against most major currencies. However, the weakness of the dollar seemed to have little direct effect on either stocks or bonds.

In the equity market, takeover stocks were active. One of the largest movers was Roper Corp which jumped $11 to $48⅞ after news of a $45 a share offer by General Electric which rivals the $37.50 a share bid by Whirlpool Corp which signed a merger agreement with Roper last month.

Firestone Tire & Rubber surged $13½ to $63⅞ after news of Pirelli Group's $58 a share tender offer.

Mobil rose $1⅛ to $44⅛ after it said it had agreed to sell its Montgomery Ward retail subsidiary to a management group in a leveraged buy-out. Lorimar-Telepictures added $2⅛ to $15⅛ after the company said it had been approached about a possible merger by Warner Communications. Warner rose $⅜ to $32⅛.

Canada

RISING golds and industrials offset declines by mines and energy issues, with the composite index up 9.9 at 3,261.4 at midsession.

International Pagurian was the most active in industrials, rising 4 cents to C$1.09.

Varity gained 3 cents to 78 cents, while Dome Petroleum advanced 2 cents to C$1.25 dlrs.

Among golds, American Barrick gained C$⅜ to C$28, International Corona was unchanged at C$8⅞ and Placer Dome rose C$⅜ to C$15⅞.

In energy issues, Texaco Canada fell C$1½ to C$34⅞. Base metal stock Cominco slipped C$⅛ to C$16⅞.

ASIA

Nikkei eases as caution takes hold

Tokyo

A WAIT-and-see mood prevailed in Tokyo yesterday, leaving the market weaker at the close, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended 10.99 points lower at 25,616.58, having reached a high of 25,642.58 against a low of 25,567.63.

Volume fell to 826m shares from Friday's 1.35bn shares and declines led advances by 443 to 414, with 189 issues unchanged.

There was no significant news to give the market direction for the start of the week and concern over rising prices increased following last week's strong performance.

Giant-capitals, which have been leading the recent rise, continued to attract buying interest in early trading. But their popularity faded towards the close.

Nippon Kokan topped the active list with 144.6m shares changing hands and rose Y7 at one stage, bolstered by buy orders from Nomura Securities for 67m of the company's shares. The issue came under selling pressure later to close Y4 up at what was still a record high of Y380.

Nippon Steel, the second busiest issue with 47.1m shares traded, advanced Y5 briefly, but ended Y2 lower at Y441, while Mitsubishi Heavy Industries, third with 37.18m shares, finished Y6 higher at Y657 after gaining Y12 at one stage. Ishikawajima-Harima Heavy Industries fell Y5 to Y780 and Kawasaki Steel Y4 to Y381.

Among recently popular large-capital chemical issues, Mitsui Toatsu Chemicals was the eighth most active stock with 16.4m shares, closing Y14 higher at Y779.

Buying interest shifted to high-priced blue chips in late trading. Matsushita Electric Industrial added Y80 to Y2,520, Pioneer Electronic Y110 to Y3,300, Sony Y110 to Y5,270 and NEC Y40 to Y2,140.

Cars fared well on the strength of strong sales supported by steady consumer buying. Toyota Motor, 10th most active with 15.5m shares, ended Y30 higher at Y2,420 after exceeding its record high of Y2,460, set on October 14 last year.

Among the day's other rises was Minebea, up Y32 at Y959. But Toshiba ended down Y3 at Y750, after losing Y26 in Saturday's *half-day session, on unconfirmed* reports that the CIA is investigating it in connection with violations of export controls.

Bond prices were slightly easier because of the absence of market-moving news. The yield on the benchmark 5.0 per cent government bond, maturing in December 1997, opened slightly lower at 4.385 per cent against 4.395 per cent at Saturday's close. The benchmark issue came under selling pressure later and the yield ended at 4.435 per cent.

The present yield levels of about 4.4 per cent were less attractive to investors because short-term interest rates remained at high levels.

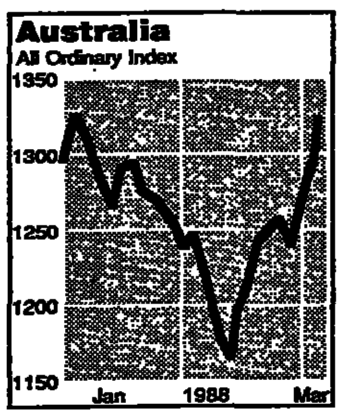
The 5.1 per cent bond, which has a higher yield than that of the benchmark issue and falls due in June 1996, attracted buyers at one stage, with its yield dropping from Saturday's 4.545 per cent to 4.510 per cent, before ending at 4.550 per cent.

Osaka Securities Exchange prices closed slightly lower, hit by the yen's firmness against the dollar.

The 250-issue OSE stock average ended 10.87 points lower at 25,959.10. Volume was estimated at 121m shares, down 100m shares from Friday.

Taio Paper dipped Y10 to Y2,130 under profit-taking pressure, while Ono Pharmaceutical shed Y30 to Y6,900. But Taisho Chemical Industries scored a maximum allowable single-day gain of Y100 to Y685.

Australia
All Ordinary Index



Australia

FIRMER international gold prices and renewed offshore interest helped push up prices, with the All Ordinaries index rising to its highest for the year, up 25.9 at 1,324.4.

The gold index added 67.4, or 4.3 per cent, to 1,601.9, with gold stock Australian Consolidated Minerals up 20 cents at A$3, Metana 26 cents higher at A$7.06, and Sons of Gwalia 56 cents stronger at A$6.30.

In resource stocks, CRA jumped 22 cents to A$8.02, with 3m shares traded. Western Mining Corp advanced 16 cents to A$4.82 and MIM 8 cents to A$1.66.

Industrial stocks to gain included Adsteam and Lend Lease, both up 20 cents at A$4.70 and A$11.80 respectively. News Corp climbed a solid 40 cents to A$12.50 and BTR Nylex was up 24 cents to A$7.84.

BHP saw demand from both local and overseas buyers, ending 14 cents up at A$5.94. In the construction and property sector, Hooker, subject of a A$217m bid by chairman Mr George Herscu's family company, closed 15 cents higher at A$2.35.

Hong Kong

LATE profit-taking reduced the day's gains and the market closed narrowly mixed on improved turnover.

The Hang Seng index ended the day down 1.98 at 2,470.4, having risen more than 20 points in early trading. Turnover was HK$946m against HK$779m on Friday.

The market is expected to remain active pending the release in coming weeks of corporate results, which are forecast to be favourable.

Hang Seng Bank, due to report on Friday, added 50 cents to HK$30.75. Hong Kong Bank, which reports on March 15, was hit by profit-taking and ended off 5 cents at HK$7.25.

Singapore

SMALL investors dominated trading as institutions held back in the absence of fresh news, and the market closed lower across the board on profit-taking.

The Straits Times Industrial index dropped 4.86 to 915.74 in light trading as cautious investors took profits following previous falls in Tokyo and on Wall Street. The neutral Budget presented on Friday had been largely discounted by the market.

Price changes were mostly marginal except for a handful of blue chips and quality stocks. Turnover fell to 18.4m shares from 24.5m on Friday.

Among the top losers, Singapore Airlines and Singapore Land dipped 20 cents each to S$10.80 and S$5.15 and Singapore Press lost 15 cents to S$7.75.

Oil well fears hit Manila

INVESTORS' fears that a key oil drilling site in the Philippines would turn out to be dry sent share prices plunging in Manila yesterday for the second session running, *writes Our Markets Staff in London.*

The composite index fell 20.36 to 748.41 after a 19 point drop on Friday, giving it a two-day loss of almost 5 per cent.

Disappointment stemmed from news that drilling at the Victoria consortium's prospect 70 miles north of Manila had been extended. A strike there would be the first major oil find for the Philippines and the lack of definite news over the weekend depressed investors who had been expecting a breakthrough.

Existing oil production in the Philippines provides only about 5 per cent of the country's requirements, according to a mineral resources analyst at London brokers James Capel. "In terms of what an oil strike would do for the country, it's almost indescribable, because of the heavy dependence on imports," he said.

The market has been dominated by speculation over the well for the past six weeks. Yesterday the oil index dropped 0.412 to 6.035 but the mining index managed a 3.23 rise to 4,525.

"The market's going to go right through the roof if they strike oil," said one analyst. "But if the project fails, the whole market will have to suffer."

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 7 1988					FRIDAY MARCH 4 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (91)	107.35	+2.5	87.52	97.85	4.28	104.77	87.56	95.95	180.81	85.36	112.45
Austria (16)	89.36	+1.5	72.85	77.78	2.69	88.04	73.58	77.32	102.87	84.35	93.96
Belgium (48)	137.45	+3.2	112.06	118.97	4.01	133.20	111.32	116.28	137.45	94.63	111.46
Canada (126)	118.94	+0.5	96.97	108.17	3.04	118.39	98.94	107.72	141.78	98.15	123.30
Denmark (38)	121.34	+0.7	98.92	105.66	2.78	120.46	100.67	105.80	124.83	98.18	110.85
Finland (23)	118.48	+1.9	96.60	100.61	1.97	116.33	97.22	99.83	–	–	–
France (122)	85.88	+0.3	70.02	76.45	3.92	85.64	71.57	76.81	121.82	72.77	114.11
West Germany (94)	78.24	+0.9	63.79	68.20	2.72	77.53	64.79	68.10	104.93	67.78	89.38
Hong Kong (46)	96.02	+0.1	78.28	96.14	4.42	95.89	80.13	96.01	158.68	73.92	110.83
Ireland (14)	117.87	+0.9	96.10	104.23	4.21	116.84	97.65	104.43	160.22	93.50	123.43
Italy (94)	73.96	+0.6	60.30	68.30	2.82	73.51	61.43	68.35	112.11	62.99	95.36
Japan (457)	163.67	+0.4	133.43	132.53	0.53	162.97	136.20	132.63	163.67	100.00	120.20
Malaysia (36)	114.84	–0.7	93.63	113.87	3.28	115.60	96.61	114.62	193.64	93.76	135.22
Mexico (14)	176.05	–0.3	143.53	437.91	0.81	176.54	147.54	441.06	422.59	90.07	126.61
Netherland (37)	103.55	+0.1	84.42	89.00	5.12	103.42	86.44	89.52	131.41	87.70	105.43
New Zealand (23)	72.17	+1.1	58.84	57.46	5.67	71.38	59.65	57.05	138.99	64.42	94.23
Norway (24)	112.42	+0.5	91.65	96.32	3.17	111.81	93.44	96.90	185.01	95.51	117.97
Singapore (26)	107.89	–0.7	87.96	100.09	2.39	108.63	90.79	100.90	174.28	81.21	118.46
South Africa (61)	125.74	+0.7	102.51	77.43	5.41	124.81	104.31	76.86	198.09	100.00	128.19
Spain (43)	146.04	+2.0	119.06	124.35	3.38	143.21	119.68	123.08	168.81	100.00	114.81
Sweden (32)	115.08	+1.1	93.82	101.45	2.68	113.85	95.15	101.12	136.64	88.50	108.69
Switzerland (53)	85.77	+1.8	69.92	73.59	2.30	84.25	70.41	73.07	111.11	73.65	95.93
United Kingdom (327)	136.89	+1.7	111.61	111.61	4.26	134.59	112.48	112.48	162.87	99.65	126.06
USA (585)	109.12	+0.0	88.96	109.12	3.45	109.07	91.15	109.07	137.42	91.21	118.99
Europe (965)	107.97	+1.3	88.02	91.64	3.77	106.54	89.04	91.89	130.02	92.25	109.95
Pacific Basin (679)	158.80	+0.5	129.46	129.70	0.71	158.05	132.09	129.73	158.80	100.00	119.49
Euro-Pacific (1644)	138.48	+0.7	112.90	114.55	1.67	137.46	114.88	114.66	143.65	100.00	115.69
North America (711)	109.64	+0.1	89.39	109.08	3.43	109.57	91.57	109.01	137.55	91.68	119.21
Europe Ex. UK (638)	90.03	+1.0	73.40	79.07	3.31	89.13	74.49	78.92	111.97	78.89	99.99
Pacific Ex. Japan (222)	100.09	+1.4	81.60	93.30	4.29	98.75	82.53	92.32	164.03	82.92	110.84
World Ex. US (1845)	137.71	+0.7	112.27	114.07	1.74	136.70	114.25	114.15	143.38	100.00	116.12
World Ex. UK (2103)	125.66	+0.4	102.44	112.40	2.10	125.18	104.62	112.36	138.82	100.00	116.39
World Ex. So. Af. (2369)	126.65	+0.5	103.25	112.58	2.29	126.01	105.31	112.63	139.47	100.00	117.18
World Ex. Japan (1973)	108.90	+0.6	88.78	102.04	3.60	108.29	90.50	102.05	134.22	92.98	115.84
The World Index (2430)	126.64	+0.5	103.25	112.32	2.31	126.01	105.31	112.36	139.73	100.00	117.25

Base values Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115 037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Takeover talk boosts Belgian retailer

SHARES in GB-Inno-BM leapt almost 34 per cent yesterday morning to BFr1,795 as rumours buzzed round the bourse that a foreign buyer is planning to pounce on Belgium's leading supermarket group, *writes Tim Dickson in Brussels.*

Several names were mentioned in the market – among them McDonald's, Argyll and the French company Carrefour – but a strong theory was that speculators were simply reinvesting profits made from the sale of shares in Société Générale de Belgique.

In London, Argyll denied being involved and Dee Corp, owner of Carrefour, said it would be "astonished" if there were such a bid. A comment was not immediately available from McDonald's.

Liquidity from those who have benefited from the dramatic seven-week battle for La Générale is thought responsible for recent rises in the oil group Petrofina and the financial holding companies Gevaert and Cobepa. In all these cases the flurry of excitement was short-lived.

A spokesman for GB-Inno, which recently acquired the Belgian interests of the US retailer JC Penney, said the company knew of no reason for yesterday's hectic buying. He pointed out that while the shares had reached a new high (BFr1,630 at the close), yesterday's volume of 200,000 shares was not unprecedented, with similar levels recorded on three occasions last year.

If there is a "raider" he will no doubt be aware that GB-Inno will be a much harder nut to prise open than the relatively unprotected Société Générale. The family of Mr François Vaxelaire, chairman, speaks for 18 per cent, Cobepa has 10 per cent, and other "friends" are thought to control a further 15 to 20 per cent.

Ironically, the strong buying appears to have started last week after an apparently uncontroversial profile in a Belgian newspaper. International interest in GB-Inno has, however, grown since the Penney purchase which has turned the company into the 18th largest retailer in Europe.

EUROPE

Trading quiet as Paris and Frankfurt wait for news

INVESTORS stayed on the sidelines in Frankfurt and Paris, awaiting significant developments in foreign exchange markets and in France's political situation. Markets were mixed elsewhere in Europe, amid news of good company results and takeover bids.

FRANKFURT closed firmer overall in relatively quiet trading. The FAZ index added 0.62 to 455.64 and overall sentiment for German stocks continued to be favourable.

The rise by sterling to its highest against the German currency since mid-September 1986 appeared to have little effect on the market. Analysts said investors were more interested in what was happening in the dollar/D-Mark rate and on Wall Street, though some German exporters might be hit slightly if the DM rate against sterling was maintained.

The bourse saw heavy trading in Kloeckner-Humboldt-Deutz, which forecast significantly improved results this year against losses for last year of *about DM285m.*

KHD ended DM9 higher at DM104, and prompted gains in other machinery makers, with Linde DM2 stronger at DM573 and MAN upDM1.50 at DM154.50.

Car stocks, which are strongly linked to moves in the dollar, ended little changed. BMW eased 50 pfg to DM524 and Daimler, which said it planned to keep its workforce at current levels in spite of a forecast slowdown in the industry, was unchanged at DM694. VW added 70 pfg to DM246.70 amid rumours that the Government was likely to sell its 16 per cent stake earlier, rather than later, this year.

Bond prices were fixed about 30 pfg lower in quiet trading, with the 10-year bond yielding 6.20 per cent.

PARIS saw listless trading as investors continued to stay on the sidelines in the run-up to a general election.

The CAC index, based on opening prices, was unchanged at 298. The market is waiting to hear whether President François Mitterrand plans to run for a second term next month, and was yesterday further hit by the avowal by Prime Minister Jacques Chirac to end a power-sharing pact with the socialist leader if Mr Mitterrand is re-elected.

Eurotunnel saw active trading for no apparent reason, and ended up FFr1.35 at FFr33.85. Thomson CSF, which announced an army equipment contract from the US army, added FFr1 to FFr166. And Suez, which has been fighting for control of Société Générale de Belgique, dropped FFr6 to FFr245.

Shares in retail groups Au Printemps and La Redoute were suspended following news on Friday that Printemps is bidding for control of the mail order group, in which it has a stake of about 32 per cent.

MILAN finished mixed in modest dealings, with a late rally helping to reduce early declines. The MIB index was unchanged at 1,010.

Olivetti closed up L180, or 2 per cent, at L8,930, but climbed further to L9,110 in unofficial trading. CIR, the holding company of Mr Carlo De Benedetti, closed down L85 at L5,090 but was boosted to L5,230 in late trading on news that Nestlé had joined, and Philips might support, the Italian financier's battle for control of Société Générale de Belgique.

Pirelli closed down L70 at L2,670, but rallied back after hours to the opening level on news of the group's bid for US tyre group *Firestone.*

Merchant bank Mediobanca, which is expected today to announce final details of its privatisation, was among the day's best performers, adding L3,800, or 2.1 per cent, to L180,000.

STOCKHOLM was buoyed by the expectation of good company results and closed higher for the *eighth consecutive* session, with the Affaersvaerlden index rising 2 to 790.1.

SCA was SKr5 higher at SKr338 and Stora up SKr2 at SKr326 pending annual results tomorrow. Pharmacia, which reports today, lost SKr5 to SKr160.

AMSTERDAM ended lower after an erratic day's trading, hit by the weaker dollar and a lower *opening on* Wall Street.

The ANP-CBS index edged up 0.1 to 238.1, with prices of most internationally-traded stocks ending the day lower. Graphical equipment and packaging company Buehrmann-Tetterode closed unchanged at Fl 46.40, after being suspended for an hour following the announcement of a 40 per cent rise in annual net profits.

MADRID rose to a high for the year as investors reinvested following Friday's profit-taking. The general index added 3.36 to 266.73.

Banesto, which resumed trading after a week's suspension, was unchanged at 1,199 per cent of nominal market value.

London

THE sudden upswing in the pound against both the dollar and the D-Mark led to sales of dollar earners, such as Glaxo and Shell, as well as other exporters, including ICI, which will feel the pinch in Germany.

But early losses in reponse to sterling's strength were reduced by a later rally and the FT-SE 100 ended the day 16.3 lower at 1,818.2. Volume was below that seen late last week but still above last month's lows.

Sterling's strength is seen as good news for interest rates, with most traders believing it rules out a rates rise.

SOUTH AFRICA

THE stronger bullion price helped boost gold stocks, but the gains were kept in check by a firmer financial rand. The gold index closed up 13 at 1,244, having risen to 1,265.

A shortage of stocks affected volumes and sales from London appeared lower than in Friday's session.

De Beers, due to announce annual results on Friday, rose 25 cents to R27.15, while Rustenburg Platinum added R1 to R29, helped by the improved price for platinum.

Gold stock Randfontein added R1 to R216 and Freegold was unchanged at R29.

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